INTERIM REVIEW OF
DEVELOPMENT IN MALAYA
UNDER THE
SECOND FIVE-YEAR PLAN

KUALA LUMPUR
DECEMBER 1963

DI-CHETAK DI-JABATAN CHETAK KERAJAAN
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PREFACE

This report discusses progress in the former Federation of Malaya under its Second Five-Year Plan, which was adopted in January 1961.

Creation of Malaysia presents a host of new challenges, problems and opportunities to all the component States. This is, therefore, an appropriate time to look back at what the Federation's Second Five-Year Plan had accomplished by Malaysia Day, 16th September, 1963.

Malaya's Second Five-Year Plan covers the years 1961 through 1965. Sabah has a Six-Year Plan for 1959-64, Singapore a Four-Year Plan for 1961 through 1964. Sarawak is just completing one Four-Year Plan period, 1959-63, and is embarking on a new plan covering the years 1964-68. It will take until 1966 for all the different States of Malaysia to merge their development plans, and it is expected that the first Malaysia Development Plan will cover the five years, 1966-70. While an increasing amount of co-ordination will take place in development activities during 1964 and 1965, Malaya and the new States will be following their own development courses in large measure. Malaya will be completing work under its Second Five-Year Plan. This interim review covers progress under that Plan until about Malaysia Day, with some discussion of problems and prospects for 1964, 1965 and later years.

The information in this report is as current as circumstances permit. But few statistical series yield data for a particular day, other than a year-end or month-end, even a day as important as Malaysia Day. Most often the statistics herein carry the story to the end of 1962, or through June 1963.

A far more serious limitation on the information presented herein results from the incompleteness of what we know about Malaya, especially in statistical terms. The Ministry of Agriculture and Co-operatives is re-examining its statistics on crop production and fish landings, with the result that sharp revisions must be made in certain previously published figures. Likewise the Statistics Department's new estimates of fixed capital formation are markedly different from earlier estimates. We are now better informed than before on these matters, but still our statistics do not tell all we wish to know. As for the future, the figures herein are, of course, only estimates. Not all of them agree with estimates published elsewhere, but the general character and magnitudes of the variables involved are not in serious dispute.

This report concerns development in the States of Malaya whether reference is to the past, the present or the future. Hereafter Malaya will be developing as part of Malaysia. But we are here concerned with Malaysia's development problems, not *in toto* but in their application to Malaya.

This report was prepared in the Economic Planning Unit, Prime Minister's Department, with assistance from the Ministries and Departments concerned.

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SUMMARY

1. Dramatic and solid progress is taking place under the Second Five-Year Plan inaugurated by the Federation of Malaya at the beginning of 1961. The scale of development activity has risen sharply as a result of the Plan, and investment in new facilities, both public and private, is much greater now than ever before.

2. Productive capacity is expanding, and production is rising. Farms, estates, mines, factories and other productive units are raising their output year by year, and adding to their facilities. Government services are expanding throughout the country. Gross domestic product rose 9.3 per cent during the first two years of the Plan, an average of 4½ per cent a year. Table 1 shows highlights of the progress to date; the statistical Appendix at the end of this report gives more detailed information. Some of the outstanding features of the record are the following:

(*a*) *Agriculture.* The physical volume of output from estates and small farms has grown impressively, and there has been some increase in crop acreage. Rubber output reached 750,000 tons in 1962; this was an all-time record, and 6.2 per cent above the 1960 level. Rice output rose sharply in the first crop year during the Second Plan, but bad weather brought the next crop down again to only slightly above the 1959/60 level. Despite the growing population, rice imports dropped from 40 per cent of total requirements in 1958-60 to 35 per cent in 1962. Oil palm production continued its upward climb, in 1962 reaching a level 18 per cent above that of 1960 and more than double that of 1953. Most other products of farm, forest, and fishing are growing too, although a few, notably coconuts, have declined.

(*b*) *Minerals.* The tin industry has recovered in recent years; output is greater than at any other time since the mid-1950's, and prices are at their highest since the Korean War. Iron ore production has continued its irregular growth and in 1962 reached 16 per cent above the 1960 level.

(*c*) *Manufacturing.* Existing industries are expanding their output, and new industries are coming into production, many under the Pioneer Industries Ordinance. Production is rising rapidly for certain products, including rubber goods, cigarettes, bricks and roofing tiles.

TABLE 1

PRINCIPAL ECONOMIC INDICATORS, FEDERATION OF MALAYA

(Physical units or values, and index numbers)

	1960	1961	1962	1963 Jan.-June
Population (thousands)	7,017*	7,250*	7,491*	7,611*
	(100)	(103.3)	(106.8)	(108.5)
Gross domestic product (*G.D.P.*) *in constant 1959 dollars* ($ million) ..	5,191	5,458	5,672	
	(100)	(105.1)	(109.3)	
G.D.P. *per capita* ($)	751	765	770	
	(100)	(101.9)	(102.5)	
Gross national product (*G.N.P.*) *at market prices*	5,665	5,604	5,786	
	(100)	(98.9)	(102.1)	
G.N.P. *per capita* ($)	819	783	785	
	(100)	(95.8)	(95.8)	
Exports f.o.b. ($ million)	2,924	2,622	2,621	1,353
	(100)	(89.7)	(89.6)	
Imports c.i.f. ($ million)	2,151	2,231	2,447	1,305
	(100)	(103.6)	(113.8)	
Agriculture:				
Rubber production (thousand tons)	708	737	751	365
	(100)	(104.1)	(106.1)	
Rubber price average (RSS 1, cents per pound)	108.1	83.5	78.2	76.4
	(100)	(77.2)	(72.3)	
Rice production (thousand tons) ..	480	525	498	
	(100)	(109.4)	(103.8)	
Oil palm production (thousand tons)	90	93	106	56
	(100)	(103.3)	(117.8)	
Mining:				
Tin production (thousand tons) ..	52	56	59	30
	(100)	(107.7)	(113.5)	
Iron ore production (million tons) ..	5.6	6.7	6.5	3.7
	(100)	(119.4)	(116.1)	
Manufacturing:				
Cigarette production (thousand pounds)	7,879	9,517	11,021	6,366
	(100)	(120.8)	(139.9)	
Soap production (thousand hundredweights)	356	378	384	221
	(100)	(106.2)	(107.9)	
Cement production (thousand tons)	282	326	321	174
	(100)	(115.6)	(113.8)	
Pioneer companies (number) ..	55*	71*	87*	99*
	(100)	(129.1)	(158.2)	(180.0)
Pioneer companies (called-up capital, $ million)	29*	54*	69*	134*
	(100)	(186.2)	(237.9)	(462.1)

	1960	1961	1962	1963 Jan.-June
***Transportation*:**				
Motor vehicles registered—all types (thousands)	**185***	**219***	**253***	**273***
	(100)	**(118.3)**	**(136.6)**	**(147.6)**
New roads completed (miles) . .	**260**	**461**	**764**	**240**
	(100)	**(177.3)**	**(293.8)**	
***Communications*:**				
Telephones (thousands)	**76***	**82***	**90***	**94***
	(100)	**(107.9)**	**(118.4)**	**(123.7)**
Post offices (number)	**212***	**213***	**221***	**221***
	(100)	**(100.5)**	**(104.2)**	**(104.2)**
Mobile post offices (number) . .	**23***	**33***	**42***	**46***
	(100)	**(143.5)**	**(182.6)**	**(200.0)**
***Electric Power*:**				
Installed Capacity (thousand Kw) . .	**328***	**338***	**327***	**380***
	(100)	**(103.0)**	**(99.7)**	**(115.9)**
Transmission lines (miles)	**3,928***	**4,263***	**4,757***	**5,221***
	(100)	**(108.5)**	**(121.1)**	**(132.9)**
Generation (million Kwh)	**1,200**	**1,300**	**1,500**	**800**
	(100)	**(108.3)**	**(125.0)**	
***Education* (fully assisted schools):**				
Primary enrolment (thousand pupils)	**974***	**1,051***	**1,074***	**1,100***
	(100)	**(107.9)**	**(110.3)**	**(112.9)**
Secondary enrolment (thousand pupils)	**96***	**111***	**147***	**164***
	(100)	**(115.6)**	**(153.1)**	**(170.8)**
Class-rooms (thousand)	**23***	**26***	**26***	**28***
	(100)	**(113.0)**	**(113.0)**	**(121.7)**
Primary teachers (thousand) . .	**35***	**39***	**41***	**40***
	(100)	**(111.4)**	**(117.1)**	**(114.3)**
Secondary teachers (thousand) . .	**3.6***	**4.3***	**5.7***	**6.3***
	(100)	**(119.4)**	**(158.3)**	**(175.0)**
***Health* (Government services only):**				
Hospital beds (thousand)	**21.1***	**21.5***	**21.7***	**21.7***
	(100)	**(102.0)**	**(102.8)**	**(102.8)**
Dispensaries (number)	**355***	**356***	**373***	**373***
	(100)	**(100.3)**	**(105.1)**	**(105.1)**
Health centres (number)	**133***	**134***	**146***	**155***
	(100)	**(100.8)**	**(109.8)**	**(116.5)**
Health sub-centres (number) . .	**8***	**11***	**50***	**84***
	(100)	**(137.5)**	**(625.0)**	**(1,050.0)**
Midwives' clinics (number) . .	**26***	**55***	**373***	**422***
	(100)	**(211.5)**	**(1,434.6)**	**(1,623.1)**
Dental clinics (number)	**146***	**149***	**245***	**245***
	(100)	**(102.1)**	**(167.8)**	**(167.8)**
Doctors (number)	**391***	**419***	**438***	**451***
	(100)	**(107.2)**	**(112.0)**	**(115.3)**

	1960	1961	1962	1963 Jan.-June
Water Supplies:				
Number of supplies..	140*	141*	148*	156*
	(100)	(100.7)	(105.7)	(111.4)
Output (million gallons per day) ..	84*	87*	92*	
	(100)	(103.6)	(109.5)	
Irrigation:				
Areas that can be double-cropped (thousand acres)	38*	78*	85*	95*
	(100)	(205.3)	(223.7)	(250.0)

Notes: * As at end of period.
Figures in parentheses are indices based on 1960 as 100.

Source: Department of Statistics.

(*d*) *Transportation*. Motor transportation is expanding rapidly. Road mileage is growing; newly constructed roads totalled 764 miles in 1962, almost three times as much as in 1960. The total number of registered motor vehicles of all types rose 48 per cent between the end of 1960 and the middle of 1963. Railway traffic on the other hand did not grow: passenger traffic declined a little; freight business was held only by rate reductions, and railway revenue consequently declined slightly. Air traffic is expanding rapidly: passenger landings rose 29 per cent on internal flights and 58 per cent on international flights in just two years between 1960 and 1962.

(*e*) *Communications*. The number of telephones in the Malayan States rose by 24 per cent between the end of 1960 and the middle of 1963. Radio services have been extended, and now most residents of Malaya have access to Radio Malaysia.

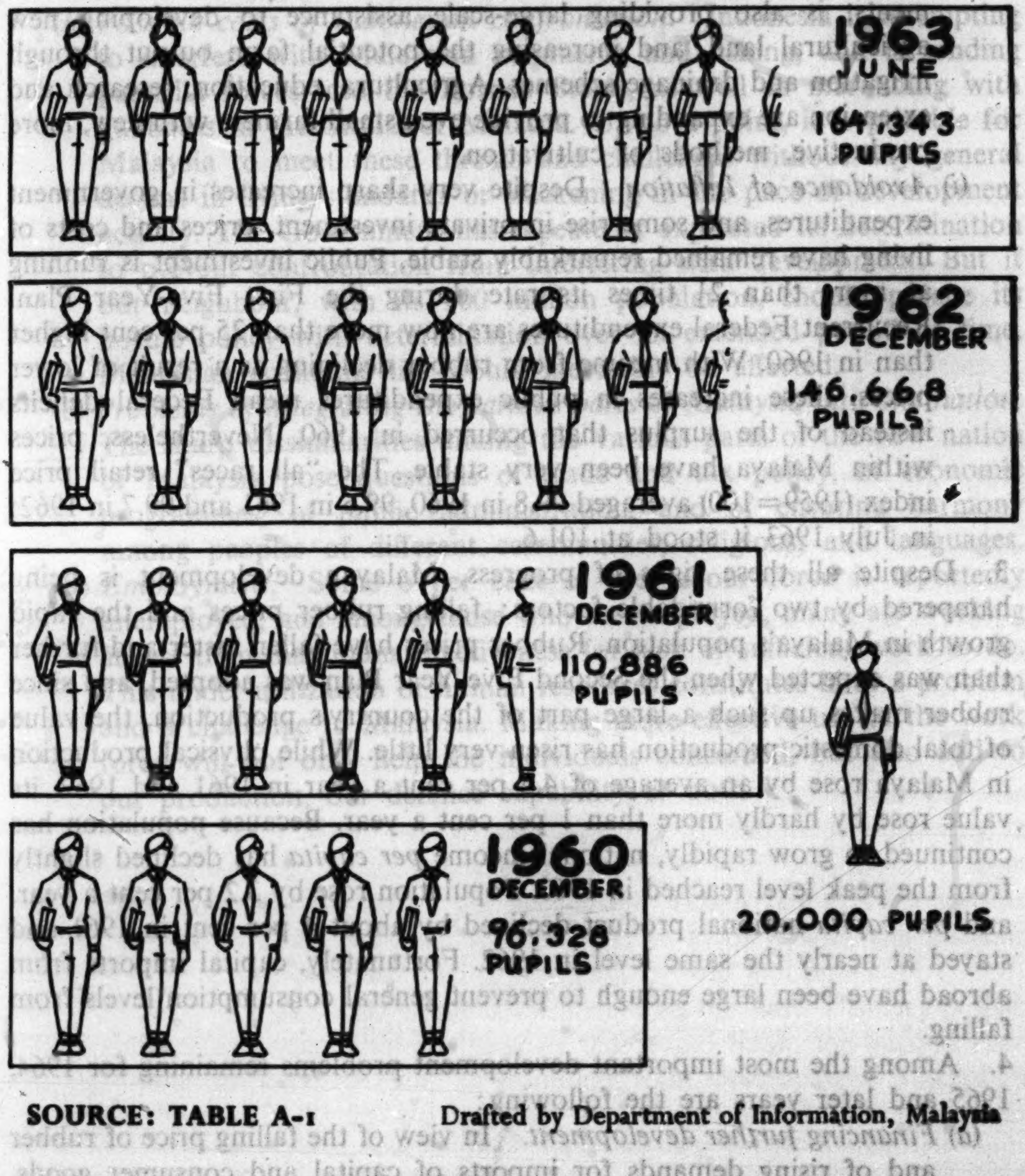
(*f*) *Electric Power*. A modern society depends heavily on electricity for many kinds of activity. Malaya's rapid development has brought particularly fast growth in the amount of electric power used. In 1962, 25 per cent more power was generated than in 1960. Installed capacity of the Central Electricity Board in June 1963 was 26 per cent above the 1960 level, and by the end of this year is expected to reach 75 per cent above the 1960 level. Total installed capacity of other producers of electric power is increasing somewhat less rapidly.

(*g*) *Education*. The number of children in school is growing rapidly. Primary enrolment in fully assisted schools rose 10 per cent in two years, secondary enrolment 53 per cent. To care for these students Government has provided more classrooms and more teachers. Emphasis has been placed on expanding secondary schools in areas outside the large towns such as Kuala Lumpur, Penang and Ipoh, thus spreading such facilities more widely and meeting the needs of the rural population.

Chart I

ENROLMENT IN SECONDARY SCHOOLS

(FULLY ASSISTED SCHOOLS ONLY)



SOURCE: TABLE A-1 **Drafted by Department of Information, Malaysia**

(*h*) *Other Government Services.* Health services are expanding. Every year there are more medical facilities and staff to man them. Most of the new health centres, sub-centres and midwives' clinics are in rural areas. Water supply systems are increasing, both in number and in output. The Federal Government, in co-operation with State governments, is also providing large-scale assistance to developing new agricultural land, and increasing the potential farm output through irrigation and drainage schemes. Agricultural education, research and extension are expanding to provide even small farmers with new, more productive, methods of cultivation.

(*i*) *Avoidance of Inflation.* Despite very sharp increases in government expenditures, and some rise in private investment, prices and costs of living have remained remarkably stable. Public investment is running at more than 2½ times its rate during the First Five-Year Plan. Recurrent Federal expenditures are now more than 25 per cent higher than in 1960. With income from rubber declining as a result of lower prices, these increases in public expenditures mean Federal deficits instead of the surplus that occurred in 1960. Nevertheless, prices within Malaya have been very stable. The "all races" retail price index (1959=100) averaged 99.8 in 1960, 99.6 in 1961 and 99.7 in 1962; in July 1963 it stood at 101.6.

3. Despite all these signs of progress, Malayan development is being hampered by two formidable factors: falling rubber prices and the rapid growth in Malaya's population. Rubber prices have fallen faster and further than was expected when the Second Five-Year Plan was adopted, and since rubber makes up such a large part of the country's production, the value of total domestic production has risen very little. While physical production in Malaya rose by an average of 4.5 per cent a year in 1961 and 1962, its value rose by hardly more than 1 per cent a year. Because population has continued to grow rapidly, national income *per capita* has declined slightly from the peak level reached in 1960. Population rose by 3.2 per cent a year, and *per capita* national product declined by about 4 per cent in 1961 and stayed at nearly the same level in 1962. Fortunately, capital imports from abroad have been large enough to prevent general consumption levels from falling.

4. Among the most important development problems remaining for 1964, 1965 and later years are the following:

(*a*) *Financing further development.* In view of the falling price of rubber and of rising demands for imports of capital and consumer goods, the foreign exchange requirements of the States of Malaya are likely to exceed by a substantial margin its earnings of foreign exchange in

1964 and 1965. At the same time the Federal budget is incurring deficits that grow each year. The methods of financing these deficits will have important implications for Malaysia's credit standing and thus for its ability to carry out a broad plan for Malaysian development in the years ahead.

(*b*) *Possible costs of Indonesian confrontation.* Indonesia is attempting to interfere with Malaysian commerce and fishing, and is sending guerrilla forces into the Borneo States, as well as marauding with gunboats in the Straits of Malacca. Up to a point, it is possible for Malaysia to meet these threats and challenges without any general decline in living standards or slackening in the pace of development activity. The Government has repeatedly expressed its determination to prevent confrontation from interfering with development. But if our neighbour, with its 100 million population, should pursue its hostile policy with determination over an extended period of time, Malaysian economic life would inevitably be affected.

(*c*) *Problems of integrating the various parts of Malaysia into one nation.* The sharp dissimilarities among the various parts of the new nation of Malaysia pose questions of trade and tax policy, of economic programmes, of public administration, and of ensuring harmony among peoples of different communities, religions, and languages.

(*d*) *Employment.* Some 6 per cent of the labour force is reportedly unemployed, and among those who are employed, many are working at less than maximum effectiveness for lack of sufficient work to do. This under-utilization of human resources constitutes both a problem and a challenge to Malaysia. Making more effective use of the work force will not only help the individuals concerned, but also add to our production, our defence capability or both.

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CHAPTER 1

The Second Five-Year Plan, Its Background and Organization for Implementation

The Federation of Malaya had already undertaken its first development plan[1] before achieving independence on Merdeka Day, 31st August, 1957. Despite the Emergency, this plan called for substantial development effort during the years 1956 through 1960. The recession of 1957-58 had some retarding effect as did other difficulties. Still, this first development plan set our new nation on a course that we generally continue to follow.

2. Malaya achieved much during those five years. Actual public investment was nearly double that of the years 1951-55. Private investment also far exceeded earlier levels. Along with higher investment, the real output of the economy increased by about 20 per cent, or at an average annual rate of nearly 3¾ per cent, compared with an estimated population increase rate of a little over 3 per cent a year. The rise in output, the upswing in rubber prices during the last two years of the First Plan, and the relaxation of international restrictions on tin production, raised the average income of the people of Malaya to the highest level in history, with the possible exception of a short period during the Korean War boom.

3. The Second Plan is far more ambitious than the first. Drawn up with the assistance of consultants provided by the World Bank, the Second Plan was adopted in January 1961. It envisages total development outlays of $5,050 million—$2,150 million of public investment and $2,900 million of

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[1] Federation of Malaya, Economic Secretariat, *A Plan of Development for Malaya 1956-60* (Kuala Lumpur: Economic Secretariat, 1956). *See* also Federation of Malaya, *Report on Economic Planning in the Federation of Malaya in 1956 and on the Outcome of the Financial Talks Held in London from December the 21st, 1956 to January the 10th, 1957* (Kuala Lumpur: Government Printer, 1957).

private investment. These figures represent further sharp increases over the record levels of investment reached during the First Plan period. Annual plans incorporated in budget estimates have substantially raised the targets for public investment in many categories, and the five-year target for the public sector is now as high as for the private sector, counting in public investment the capital expenditures for defence.

4. To carry out the many new tasks laid out in the Second Plan, the Federation Government created new organizations and adopted various new techniques. Of the new organizations, the principal one is the National Development Planning Committee, which has the Economic Planning Unit of the Prime Minister's Department as its secretariat.

NATIONAL DEVELOPMENT PLANNING COMMITTEE

5. The National Development Planning Committee (N.D.P.C.) is a standing organization which consists of members who are appointed by the Government from among leading civil servants. The power and responsibility of reviewing the annual capital budgets for submission to Cabinet and Parliament are vested in the N.D.P.C. It advises the government on the progress of the development programmes and suggests solutions as problems arise. This Committee is an effective focus for executive decision-making in relation to development.

ECONOMIC PLANNING UNIT

6. The secretariat for the National Development Planning Committee is provided by the Economic Planning Unit of the Prime Minister's Department. The Unit, established in June 1961, has a staff of economic officers, supplemented with foreign specialists provided by the United Nations, the Colombo Plan, and others. This Unit is the focus of staff work on development planning, on high policy problems in plan execution, and on all forms of foreign aid.

DEPARTMENTAL STAFF UNITS

7. To provide further support to the National Development Planning Committee, and to strengthen their own processes, the various Ministries and Departments have been encouraged to establish their own planning or research units. Close and frequent consultations are maintained between the Committee, through the Economic Planning Unit, and the Ministries and Departments, to ensure the smooth functioning of the planning machinery. Three such units now exist: The Economic Division in the Treasury, the Economic Department in Bank Negara, and the Planning and Research Branch in the Ministry of Agriculture and Co-operatives. In addition, this

Ministry has a Planning and Research Committee, consisting of department heads. Several other Federal Ministries and Departments have officers assigned, formally or informally, to lead in planning activities. The Statistics Department has grown, in both size and strength, and now provides more than ever before of the statistical information necessary for both planning and operations.

NATIONAL OPERATIONS ROOM

8. The Federal Government has evolved a unique and remarkably effective technique for reporting and controlling operations related to development in Malaya. A National Operations Room is now functioning close by the office of the Deputy Prime Minister, who is also Minister of Rural Development as well as Minister of Defence. In the Operations Room are complete, current and uniform reports on progress in public development programmes arranged by State and district, and showing the activities of every Federal Ministry and also pertinent activities of State and local governmental bodies and statutory authorities. The reporting form emphasizes Plan performance in the public sector by showing project status alongside previously set targets. Maps, charts, diagrams, films and tape recordings supplement the verbal and statistical reports.

9. The information in the National Operations Room is kept up to date by the various Ministries and Departments, each being responsible for reporting its own activities, expenditures, successes and difficulties. Periodic meetings with representatives from these Ministries enable the Deputy Prime Minister to learn quickly where problems are emerging. Sometimes he can decide on remedial action without formal reference to the National Development Planning Committee or to staff organizations.

STATE, DISTRICT AND KAMPONG RURAL DEVELOPMENT COMMITTEES

10. Each of the eleven constituent States of the former Federation of Malaya has a Rural Development Committee and a State Operations Room. These committees parallel somewhat the National Development Planning Committee, and each State Operations Room duplicates—so far as that particular State is concerned—the information available in the National Operations Room. Within States, every district also has a District Rural Development Committee and a District Operations Room. Some kampongs too have rural development committees, as well as information centres along simplified operations-room lines.

11. These regional and local operations rooms serve as stopping points for the Deputy Prime Minister during his many inspection trips. Local officials describe local activities, progress and problems on the ground, in the

presence of officials from the Federal Ministries concerned. Frequently it proves possible for the Deputy Prime Minister to decide on the spot the corrective action required to meet development problems.

CO-ORDINATING AND EXPEDITING DEVELOPMENT ACTIVITIES

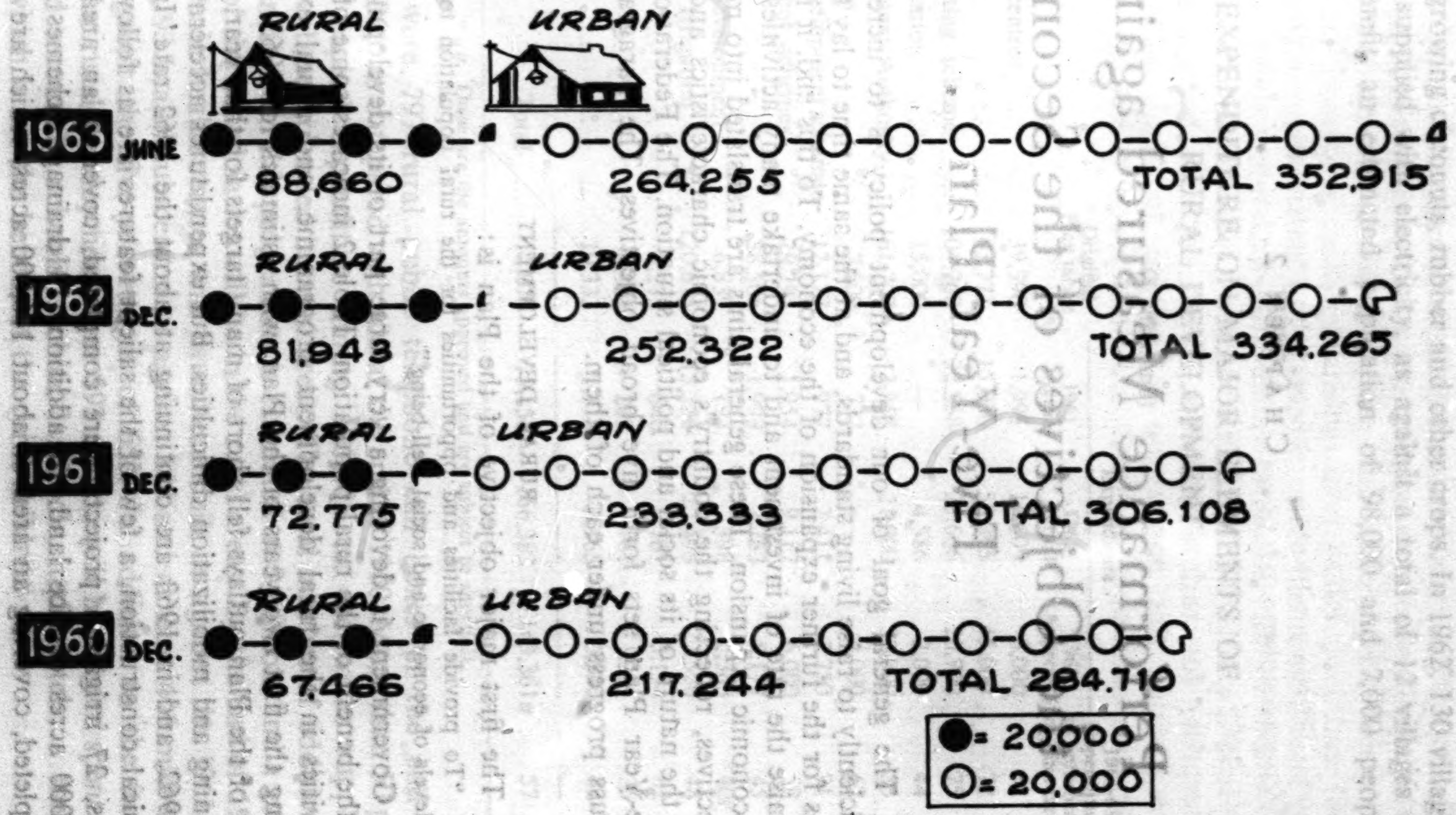
12. Since rural development is a major objective in the Second Five-Year Plan, the Minister on trips around the country is frequently acting in his capacity as Minister of Rural Development. The Ministry of Rural Development is, however, mostly a co-ordinating and expediting, rather than an operating, Ministry. Consequently, the whole range of Federal Ministries and Departments is involved as appropriate, as well as State, district and local authorities. Less attention is paid to form, especially traditional forms, than to performance.

13. The operations rooms and the techniques for using them come mainly from the Ministry of Rural Development. At first the objective was to utilize for peaceful development purposes some of the successful methods used during the Emergency. Operations room techniques have since evolved rapidly and are nowadays being studied by a growing number of other countries seeking methods to improve their information, control, and decision-making activities for development.

Chart II

ELECTRIC POWER SUPPLY TO HOUSEHOLDS

(NUMBER OF HOUSEHOLDS SERVED)



SOURCE: TABLE A-8

Drafted by Department of Information, Malaysia

CHAPTER 2

Performance Measured against the Objectives of the Second Five-Year Plan

14. The general goal of our development policy is to increase output sufficiently to raise living standards, and at the same time to lay the foundations for the further expansion of the economy. To this end, it is necessary to raise the rate of investment and to undertake many activities conducive to economic expansion. These general aims are translated into more precise objectives, reflecting the country's economic characteristics and problems and the nature of its social and political situation. The Federation's Second Five-Year Plan sets forth five broad objectives. The paragraphs below discuss progress under each of them.

RURAL DEVELOPMENT

15. The first major objective of the Plan is:

> "To provide facilities and opportunities for the rural population to improve its levels of economic and social well-being."

The Government is devoting a very large part of its development budget for the benefit of the rural population. Table 2 indicates some of the major activities in the rural development programme, and actual expenditures during the first two years of the Plan, with estimates for 1963. In the first year of the Plan outlays fell short of many targets for that year, because of planning and mobilization difficulties. But expenditures accelerated rapidly in 1962, and in 1963 are continuing at about the 1962 rate. In terms of physical construction, a few of the salient features are as follows: in two years, 27 irrigation projects were completed, covering an area of about 119,000 acres of rice land. In addition, 13 drainage schemes have been completed, covering an area of about 116,000 acres, which are thus made suitable for growing coconuts, rubber and other crops. In 1962, 130 villages were newly supplied with electricity, as against a total of 12 villages in 1961, to benefit an estimated population of 98,000 and 7,000 people respectively.

TABLE 2

EXPENDITURE ON MAJOR ELEMENTS OF RURAL DEVELOPMENT

($ thousand)

	Original Plan target	Expenditure			1961-63 Expenditure as percentage of Plan target
		1961 Actual	1962 Actual	1963 Approved	
Rural health centres	39,390	1,995	16,609	6,000	62
Rural roads	163,773	15,030	58,395	45,000	72
Rubber replanting scheme ...	104,768	32,568	25,666	20,700	75
Rural electrification	15,000	—	4,586	2,000	44
Land Development Authority ...	161,707	3,858	21,000	32,000	35
Rural industries	7,600	732	—	4,000	62
Minor rural development schemes	12,177	977	2,411	7,750	91
Group settlement schemes ...	29,293	1,954	9,117	6,000	58
Agriculture	28,506	1,993	2,753	8,177	45
Co-operative development ...	6,839	193	398	2,363	40
Drainage and Irrigation ...	120,615	13,236	22,495	22,526	48
Fisheries	7,273	640	701	3,194	62
Forestry	4,805	269	187	1,221	35
Veterinary	10,333	1,713	2,165	2,530	62
Total ...	712,079	75,158	166,383	163,361*a*	57

a. These are the amounts approved and are subject to shortfall.

16. There were 797 rural public telephone call boxes at the end of September 1963, as compared with 409 at the end of 1960. More than 50 per cent of the capital expenditure during 1961-65 on the water supplies programme will be expended in rural areas. The total number of additional people to benefit from this programme is estimated at 3 million, and a good proportion of the beneficiaries will be in the rural areas. By the end of 1963 at least 27 main health centres will have been built as against the 1961-65 target of 37; 93 health sub-centres as against 148 and at least 406 mid-wife clinics as against the five-year target of 652. In addition to the items specifically for rural development, over $92 million will have been spent on primary and secondary schools, technical schools, and hostels, a major portion of which is for the benefit of the rural children.

17. The Rural and Industrial Development Authority (RIDA) has established bus services on 24 rural routes and expanded existing routes. Altogether RIDA buses now carry 13 million passengers a year. During 1961 and 1962 RIDA constructed 12 rubber processing factories, which buy latex from smallholders, process it into smoked sheet and market around 3,000 tons a year. RIDA extended loans amounting to $9 million during 1961, 1962 and 1963 (through October) to a large number of individuals and enterprises for various purposes. Plans are now being considered for strengthening this programme by offering technical, management and marketing assistance to small commercial and industrial enterprises in addition to loans.

EMPLOYMENT

18. The second stated objective is:

> "To provide employment to the country's population of working age which is likely to increase by about 15 per cent during the Plan period."

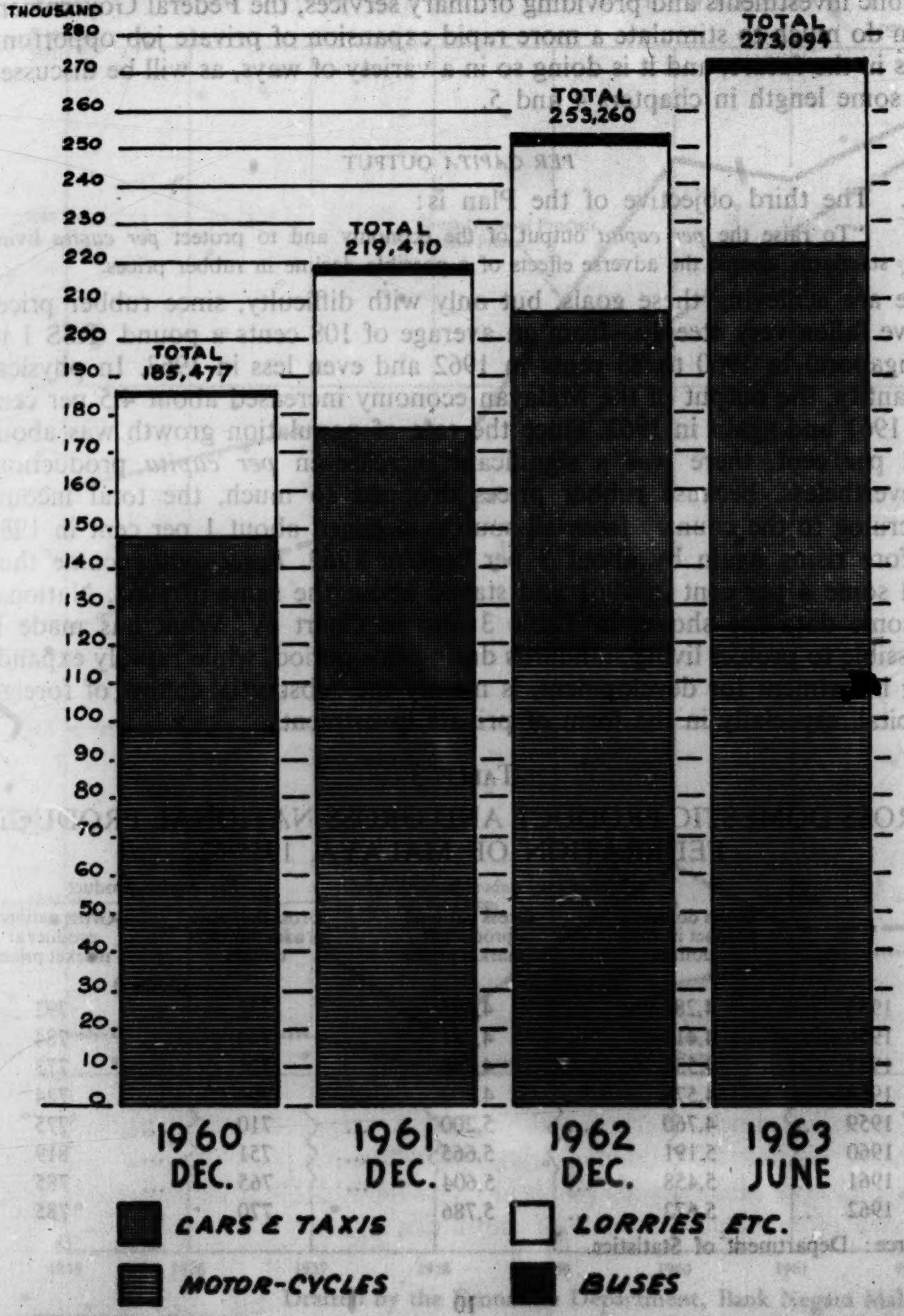
The five-year target is to provide some 340,000 new jobs to absorb the new entrants to the labour market during 1961-65. The available data unfortunately are not such as to show actual progress in the employment sphere. It seems likely that employment has risen substantially, but we do not know how much.

19. The Department of Statistics and the Ministry of Labour and Social Welfare have just completed an extensive survey of employment and unemployment in Malaya. The survey indicates that approximately 148,000, or 6 per cent of the labour force of 2,453,000 (i.e. those persons over 14 years of age who are working or seeking work), were unemployed in 1962. Although this rate is not excessively high as compared with the rates of unemployment in those countries where comparable data are available, Government is giving serious attention to the report and seeking ways to accelerate the creation of additional jobs and the training of workers to fill available openings.

20. The soundest, most effective and most satisfactory means of expanding job opportunities is through general economic expansion. When employers seek more labour because there is work to do, the new workers are likely to be far more productive than when a government tries to increase jobs by direct measures. The broad social and economic development programme of Malaya under the Second Five-Year Plan is the most promising general approach to the task of providing workers with jobs. New jobs are coming into existence in the settlement of new land, in construction, in service activities, in the professions and skilled trades, in transportation, communications and commerce, and to a small extent in manufacturing. Rubber

Chart III

MOTOR VEHICLES REGISTERED



SOURCE: TABLE 1

Drafted by Department of Information, Malaysia

estates and tin mines, however, are not absorbing more labour, but instead are generally raising *per capita* production to a point where the prospect is for diminishing total employment in these activities. In addition to making public investments and providing ordinary services, the Federal Government can do much to stimulate a more rapid expansion of private job opportunities in the future, and it is doing so in a variety of ways, as will be discussed at some length in chapters 4 and 5.

PER CAPITA OUTPUT

21. The third objective of the Plan is:

> "To raise the *per capita* output of the economy and to protect *per capita* living standards against the adverse effects of a possible decline in rubber prices."

We are achieving these goals, but only with difficulty, since rubber prices have fallen very steeply—from an average of 108 cents a pound (RSS 1 in Singapore) in 1960 to 78 cents in 1962 and even less in 1963. In physical quantity, the output of the Malayan economy increased about 4.5 per cent in 1961 and again in 1962. Since the rate of population growth was about 3.2 per cent, there was a significant increase in *per capita* production. Nevertheless, because rubber prices dropped so much, the total income accruing to the country from all sources declined about 1 per cent in 1961 before rising again by about 3 per cent in 1962. *Per capita* income thus fell some 4 per cent in 1961 and stayed about the same in 1962. National income data are shown in Table 3 and in Chart IV. What has made it possible to protect living standards during this period, while rapidly expanding investment for development, is mainly the substantial inflow of foreign capital, especially in the form of private investments.

TABLE 3

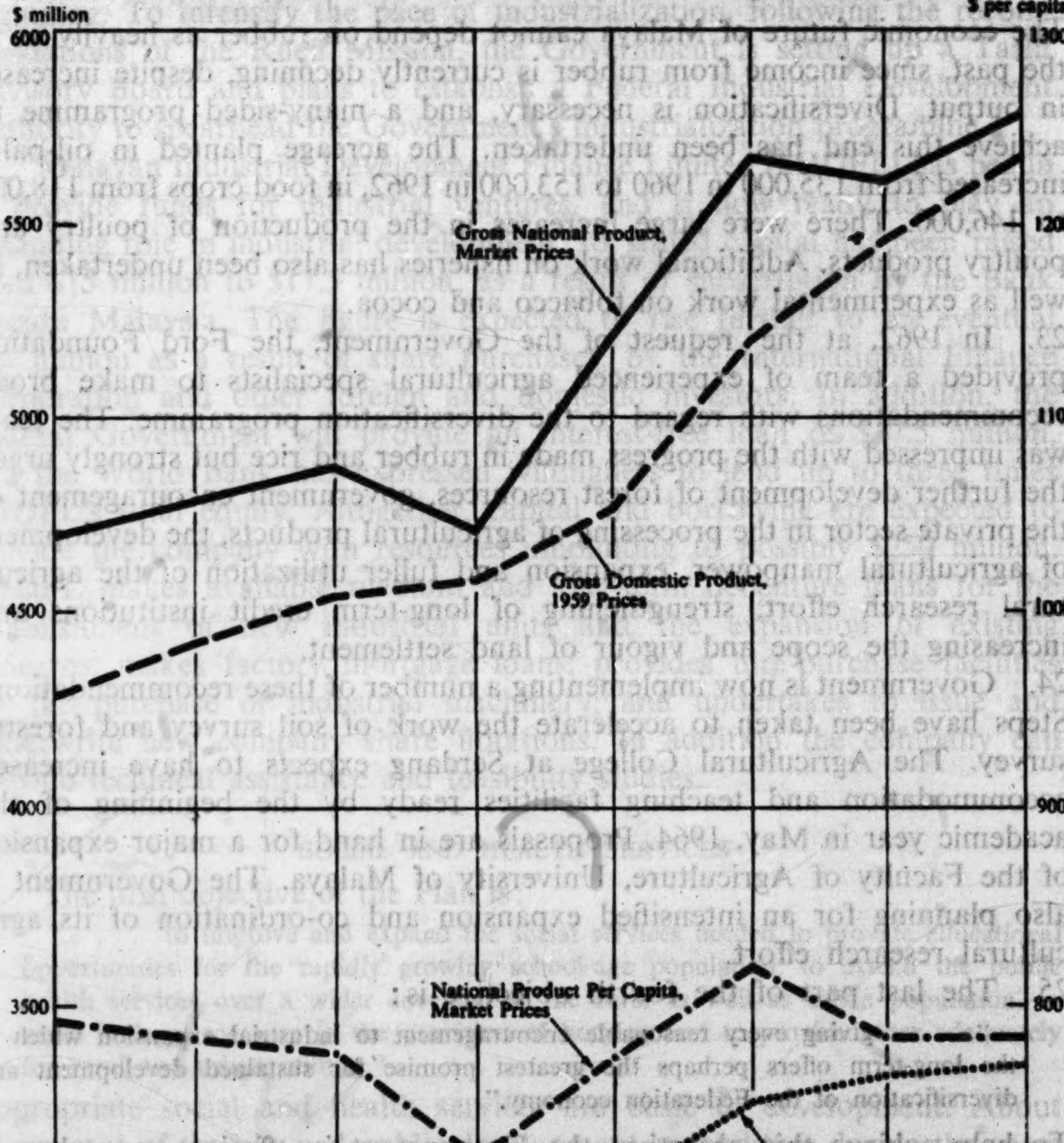
GROSS DOMESTIC PRODUCT AND GROSS NATIONAL PRODUCT, FEDERATION OF MALAYA, 1955-62

			Per capita product	
	Gross domestic product in 1959 dollars	Gross national product at market prices	Gross domestic product in 1959 dollars	Gross national product at market prices
	($ million)		(dollars)	
1955	4,281	4,695	722	792
1956	4,414	4,781	724	784
1957	4,538	4,868	721	773
1958	4,578	4,703	704	724
1959	4,760	5,200	710	775
1960	5,191	5,665	751	819
1961	5,458	5,604	765	785
1962	5,672	5,786	770	785

Source: Department of Statistics.

Chart IV

NATIONAL INCOME OR PRODUCT, FEDERATION OF MALAYA, 1955-1962



Drafted by the Economic Department, Bank Negara Malaysia

SOURCE: TABLE 3

DIVERSIFICATION

22. The first part of the fourth objective of the Plan is:

> **"To widen the variety of Malayan production, emphasizing the development of other suitable agricultural products in addition to rubber."**

The economic future of Malaya cannot depend on rubber as heavily as in the past, since income from rubber is currently declining, despite increases in output. Diversification is necessary, and a many-sided programme to achieve this end has been undertaken. The acreage planted in oil-palm increased from 135,000 in 1960 to 153,000 in 1962, in food crops from 118,000 to 146,000. There were large increases in the production of poultry and poultry products. Additional work on fisheries has also been undertaken, as well as experimental work on tobacco and cocoa.

23. In 1962, at the request of the Government, the Ford Foundation provided a team of experienced agricultural specialists to make broad recommendations with regard to the diversification programme. The team was impressed with the progress made in rubber and rice but strongly urged the further development of forest resources, government encouragement of the private sector in the processing of agricultural products, the development of agricultural manpower, expansion and fuller utilization of the agricultural research effort, strengthening of long-term credit institutions and increasing the scope and vigour of land settlement.

24. Government is now implementing a number of these recommendations. Steps have been taken to accelerate the work of soil survey and forestry survey. The Agricultural College at Serdang expects to have increased accommodation and teaching facilities ready by the beginning of the academic year in May, 1964. Proposals are in hand for a major expansion of the Faculty of Agriculture, University of Malaya. The Government is also planning for an intensified expansion and co-ordination of its agricultural research effort.

25. The last part of the fourth objective is:

> **". . . giving every reasonable encouragement to industrial expansion which in the long-term offers perhaps the greatest promise for sustained development and diversification of the Federation economy."**

To help achieve this objective, the Government is offering a number of important incentives. The major inducements offered are tax relief, tariff protection and industrial estate facilities. In addition, the growth of the Malaysian common market will provide a larger domestic market. The physical output of manufacturing and construction appears to have increased approximately 20 per cent from 1960 to 1962. In some industrie the rate of expansion has far exceeded this figure.

26. Progress under the Pioneer Industries Ordinance is notable. Up through June 1963, pioneer status has been granted to 99 new firms with a called-up capital of $134 million. These new firms are a testimony to a relatively successful programme, but what has happened so far is only a beginning. To intensify the pace of industrialization, following the recommendations of the Rueff Mission, the Government is setting up a Tariff Advisory Board and plans to establish a Federal Industrial Development Authority to spearhead the Government's industrialization programme.

27. Malayan Industrial Development Finance Limited (MIDFL) has begun to provide funds for industrial ventures, and is now ready to play an expanding role in industrial development. Its issued capital has been raised from $15 million to $17.5 million, as a result of subscription by the Bank Negara Malaysia. The figure is expected to rise further to an eventual $25 million as a result of share purchases, by the International Finance Corporation and other foreign and domestic investors. In addition, the Federal Government will provide an interest-free loan of $37.5 million, and the World Bank has expressed willingness to lend up to three times MIDFL's total equity. Altogether, capital and borrowing are expected to provide the company with resources amounting to possibly $250 million. MIDFL makes available medium and long-term debenture loans for the establishment of new industrial units and the expansion of existing concerns; makes factory mortgage loans; provides hire-purchase facilities for the purchase of industrial machinery; and undertakes to issue and underwrite new company share flotations. In addition the company can provide technical assistance and feasibility studies.

SOCIAL AND HEALTH SERVICES

28. The fifth objective of the Plan is:

> ". . . to improve and expand the social services needed to provide educational opportunities for the rapidly growing school-age population, to extend the public health services over a wider coverage of the rural as well as urban population, to assist in large measure in the provision of housing and to provide more adequately for rural and urban utilities."

Appropriate social and health services are basic to development. About 17 per cent of the planned public development expenditure during the years 1961 to 1965 has been allocated to the social services. The rate at which fully assisted schools are going up has more than kept pace with the increase in the school-age population. In 1961, more than 2,000 additional class-rooms were completed; the corresponding figure in 1962 was about 1,000 class-rooms whilst in 1963, at least 1,500 class-rooms will have been constructed. Primary enrolment in fully assisted schools increased by about 10 per cent from 1960 to 1962, secondary enrolment by over 53 per cent. Enrolment in these primary schools was 1,074,000 in 1962 as against 974,000 in 1960. Places are now available for all students who seek entry. The corresponding figures for secondary schools are about 147,000 in 1962 as against about 96,000 in 1960. There were even greater percentage increases in the secondary trade schools and the rural extension schools.

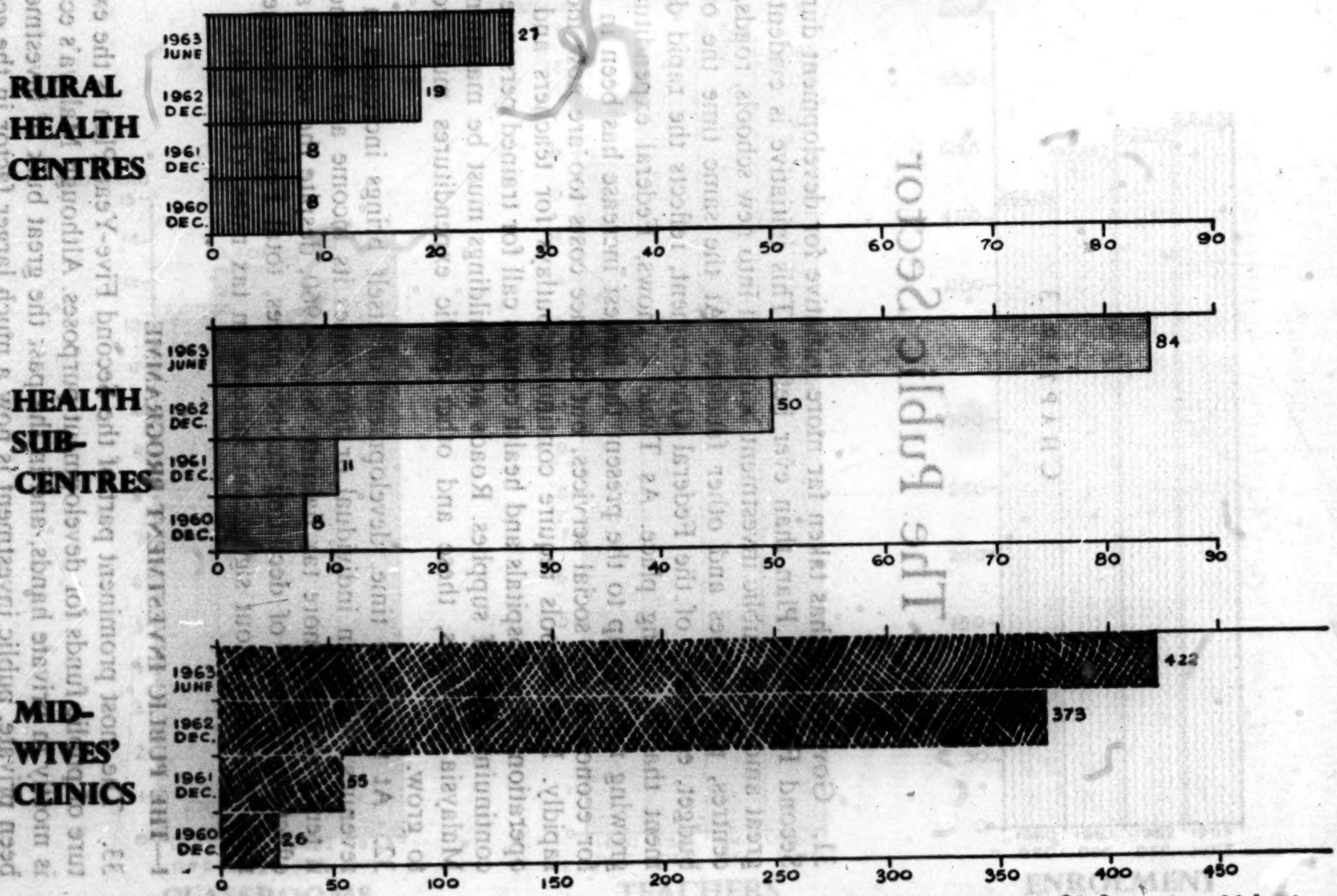
29. The public health programme of the Plan embraces the construction of a wide network of rural health centres, sub-centres and mid-wives' clinics, hospitals, etc.; solid progress has been achieved in these programmes as indicated earlier in the discussion on rural development. On the financial side, expenditure in the first three years for rural health schemes will be about 62 per cent of planned expenditure for the five years, whilst expenditure for improvements to hospitals in the same period will be about 52 per cent of the allocation for the five years.

30. In the field of low-cost housing to be undertaken by the States and Municipalities, approximately $12 million have been spent during 1961 and 1962, as against a five-year target of $45 million. The allocation for 1963 is $8.5 million. Only incomplete data are available as to the total number of units completed. The Housing Trust constructed 408 units of timber houses in 1961, 261 units in 1962 and 889 units in 1963, and 508 units are under construction. Low-cost brick-houses completed by the Housing Trust during 1961 and 1962 were 412 units; in the current year 349 have been completed whilst 470 units are still under construction. The Trust built 536 units of flats in 1962 while 1,033 units are under construction in 1963. On water supplies, the expenditure will have been about 45 per cent of the planned total by the end of 1963. The number of supplies at the end of June 1963 was 156 as against 140 in 1960, and output more than 92 million gallons per day as against 84 million gallons per day in 1960. The Central Electricity Board programme of expansion has been on schedule, and with the first hydro units at Cameron Highlands now in operation there is a comfortable margin of generating capacity above peak load. A total of about 1,500 million kilowatt-hours were generated in 1962 as against about 1,200 million kilowatt-hours in 1960; transmission lines had expanded from 3,900 miles at the end of 1960 to 5,200 miles at the end of June, 1963.

Chart V

HEALTH SERVICES

(FEDERAL GOVERNMENT SERVICES ONLY)



SOURCE: TABLE A-2

Drafted by Department of Information, Malaysia

CHAPTER 3

The Public Sector

31. Government has taken far more initiative for development during the Second Five-Year Plan than ever before. This initiative is evident in the great amount of public investment being put into new schools, roads, health centres, power lines and other facilities. At the same time the ordinary budget, especially of the Federal Government, reflects the rapid development that is taking place. As Table 4 shows, Federal expenditures are growing rapidly; up to the present the largest increase has been in outlays for economic and social services, but defence costs too are now mounting rapidly. New schools require continuing outlays for teachers and school operation. New hospitals and health centres call for trained personnel and a continuing flow of supplies. Roads and buildings must be maintained. As Malaysia develops, these and other public expenditures must continue to grow.

32. At the same time, development of itself brings increases in public revenues. When an individual or firm raises its income and expenditures, it tends to incur more tax liability. Since 1960, despite the serious adverse effect on revenue of declining rubber prices, total Federal revenues have risen a little, without significant increase in tax rates. (Table 4).

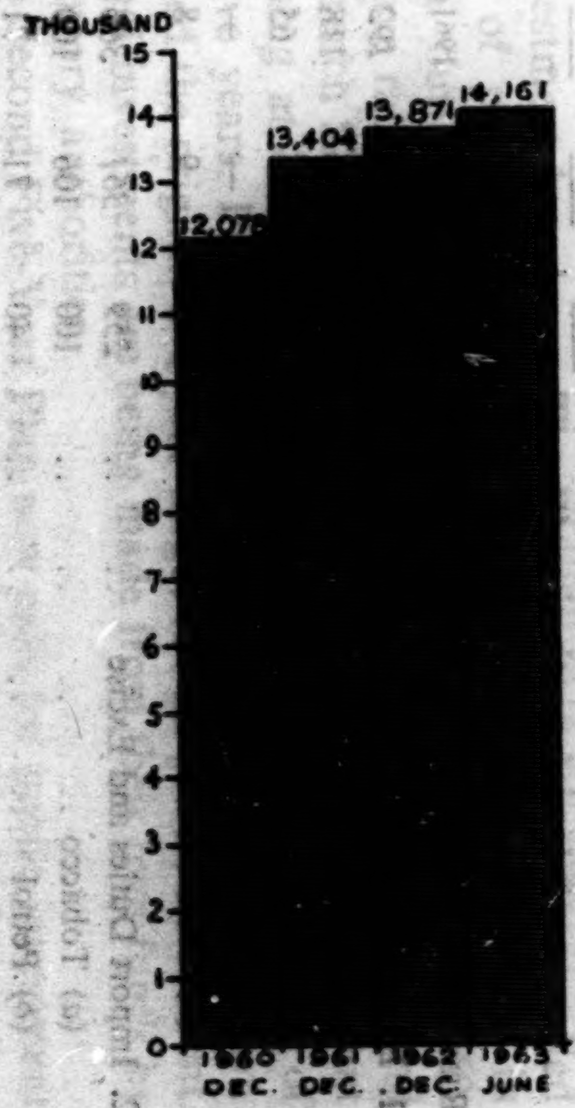
I—THE PUBLIC INVESTMENT PROGRAMME

33. The most prominent part of the Second Five-Year Plan is the expenditure of public funds for development purposes. Although Malaya's economy is mostly in private hands, and in the past the great bulk of investment has been private, public investment is now a much larger factor in the economy than ever before.

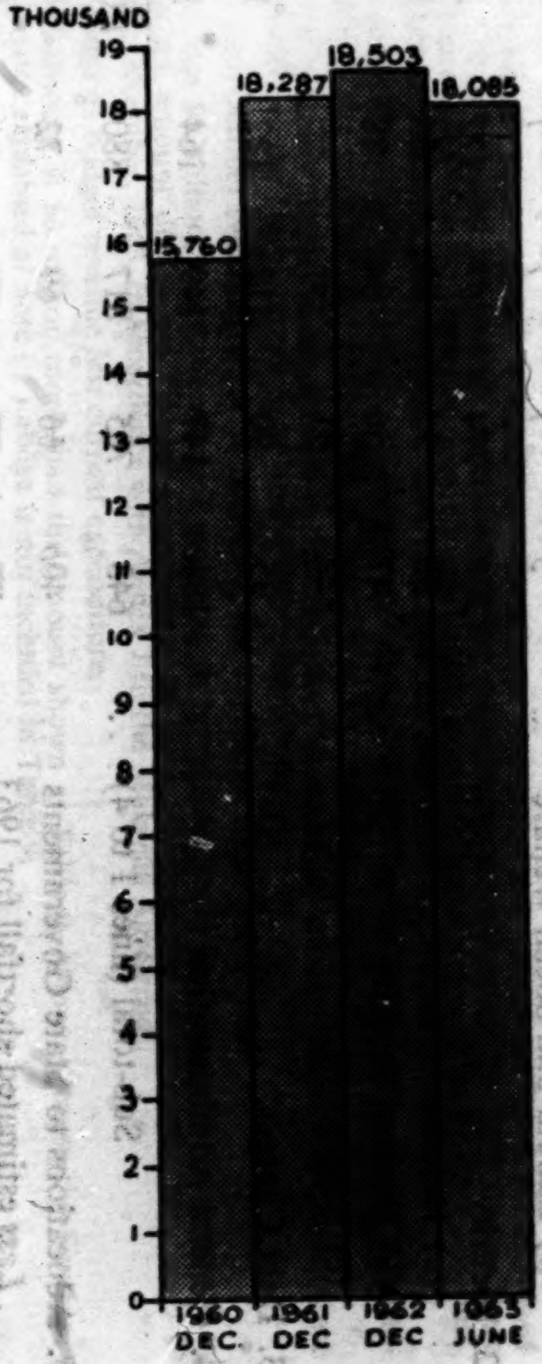
Chart VI

RURAL PRIMARY SCHOOLS

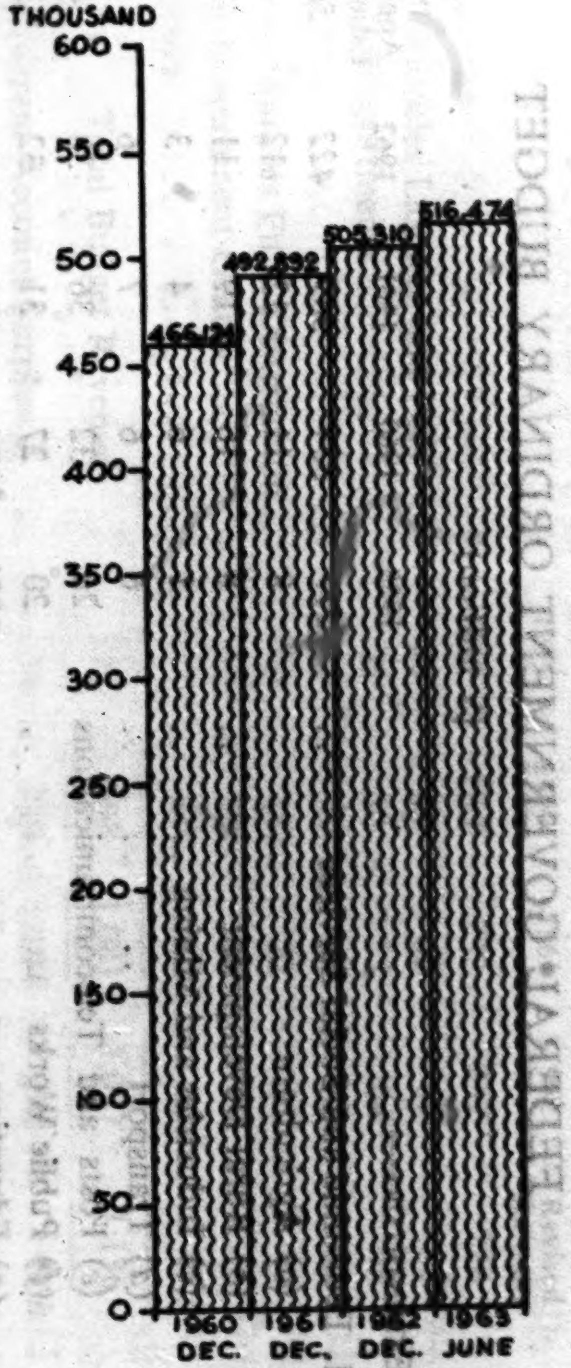
(FULLY ASSISTED SCHOOLS ONLY)



CLASSROOMS



TEACHERS



ENROLMENT

SOURCE: TABLE A-1

Drafted by Department of Information, Malaysia

TABLE 4

FEDERAL GOVERNMENT ORDINARY BUDGET

($ million)

EXPENDITURE—	1955	1960	1961	1962	1963 Approved Estimate *a*
1. Economic and Social Services	*217*	*354*	*389*	*422*	*502*
(*a*) Agriculture	8	11	12	12	17
(*b*) Rural Development	8	16	19	11	28
(*c*) Industries and Mining	1	6	4	3	5
(*d*) Transport	6	6	7	6	7
(*e*) Posts and Telecommunications	26	32	36	38	40
(*f*) Public Works	20	27	31	32	37
(*g*) Education	92*b*	174	195	230	262
(*h*) Public Health	51*b*	75	78	83	97
(*i*) Labour and Social Welfare	5	7	7	7	9
2. Security	*207*	*174*	*167*	*172*	*267*
(*a*) Defence	38	77	83	84	176
(*b*) Internal Security	47	56	84	88	91
(*c*) Emergency	122	41	—	—	—
3. Debt Charges	35	90	112	122	131
4. General Administration	184*c*	147	149	164	186
Sub-total (lines 1 to 4)	643	765	817	880	1,086
5. Allocations to State Governments	40*b*	66	69	72	84
Less estimated shortfall for 1963	—	—	—	—	−120
Total Current Expenditure *d*	683	831	886	952	1,050

REVENUE—	1955	1960	1961	1962	1963 Revised Estimate
1. Export Duties	*235*	*260*	*192*	*177*	*183*
(*a*) Rubber	174	196	118	93	82
(*b*) Tin	56	55	65	67	73
(*c*) Iron ore	—	—	—	5*e*	20
(*d*) Others	5	9	8	12	8
2. Import Duties and Excise	*259*	*361*	*366*	*373*	*386*
(*a*) Tobacco	100	106	109	106	110
(*b*) Petrol	40	71	71	74	81
(*c*) Heavy and Fuel Oil	—	18	20	23	25
(*d*) Malt Liquors and Spirit	49	47	47	48	48
(*e*) Others	70	119	119	122	122

($ million)

	1955	1960	1961	1962	1963 Revised Estimate
3. Income Tax	112	186	232	237	228
4. Motor Vehicles Licences and Fees ..	28	55	63	69	81
5. Trading Departments	35	50	53	64	69
6. Interest	14	36	38	66	65
7. Currency Surplus Fund Distribution..	0	18	22	31	40
8. British Government Grants	67*c*	39	30	0	5
9. All others	47	64	65	70	79*f*
Total Budget Revenue ..	797	1,069	1,081	1,097	1,136
Current Account Surplus *g* ..	114	239	194	145	86*h*

Note—Minor inconsistencies result from rounding.

a. Budget estimate plus the first four supplementary expenditure estimates.

b. To maintain comparability, Federal expenditures on Education and Health for 1955 are increased by $72 million and $36 million respectively, being the amounts actually spent by the States on these services which were then State responsibilities. Federal grants to States are reduced by these amounts. In later years these responsibilities have been handled directly by the Federal Government.

c. Includes receipt of $60 million as grant for war damage compensation on the revenue side and payment of the same amount to the Pan Malayan War Damage Fund on the expenditure side.

d. Total ordinary budget expenditure *less* "contributions to statutory funds". These contributions are transfers to the Development Fund and certain other funds.

e. As from October 1962 only. Prior to that date, the duty is included under others.

f. Includes $6 million, being the amount estimated to be received from the Singapore Government as the net amount due to the Federal Government as from Malaysia day (16th September, 1963) to 31st December, 1963, in accordance with Annex J to the Malaysia Agreement.

g. Defined as budget revenue *less* current expenditure.

h. This amount is $6 million more than the amount shown at Table 9, below, because the Singapore payment explained at note (*f*) above is not included in Table 9.

34. The scale of public investment during the Second Plan far outreaches anything Malaya had ever seen before. In fact, public investment is not far short of private investment in volume. The Plan in its original form called for $2,150 million of public expenditure for development purposes, in contrast with actual outlays of $1,007 million during the years 1956-60. Revisions to date have raised this Second Plan target to $2,930 million, and actual outlays may reach $2,800 million. By comparison, private investment appears to be running at about the rate necessary to meet its target of $2,900 million in five years. Federal development expenditure alone now seems likely to exceed the original five-year target for all public investment. Substantial additional investments are being made from their own funds by the States and statutory authorities.

35. In general, the Second Five-Year Plan now calls for public investment to go mainly into agriculture, public utilities and transport, which together account for over 60 per cent of the $2,606 million total target for non-defence items (Table 5). Next come social services, accounting for 17 per cent of the

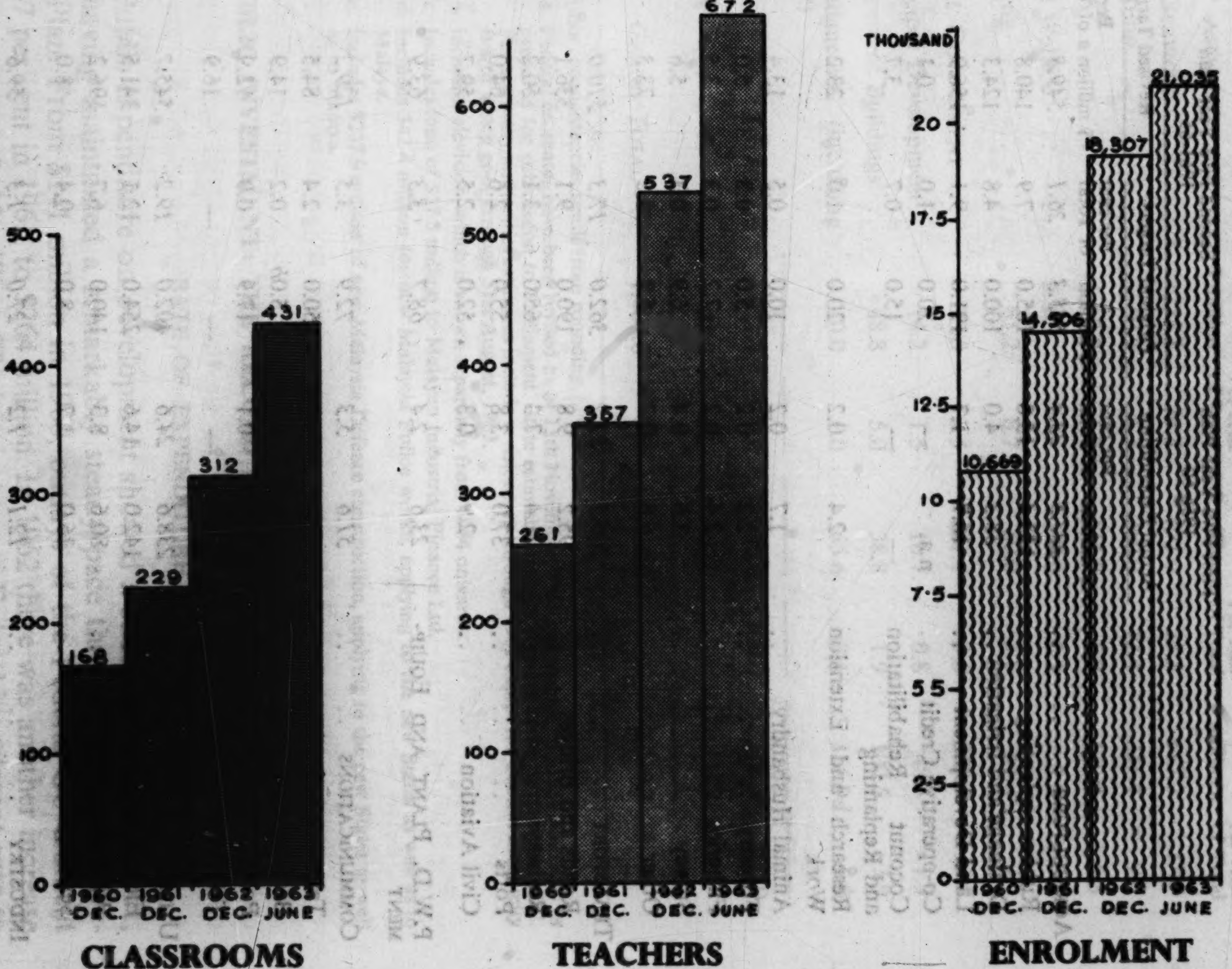
total. General government takes nearly 12 per cent. Last come communications and industry, with 5 and 2.3 per cent, respectively, of the funds allocated.

36. Looking at Table 5 in more detail, we find eleven items, each of which calls for $100 million or more of public investment according to the Second Five-Year target as revised to date. One of these is defence, which shows the largest percentage increase of any item since the Second Plan was originally adopted; this increase results from the added responsibilities of our country for its own defence under the difficult circumstances that have emerged, especially with the formation of Malaysia. The other ten leading items are more strictly developmental in character; they call for $1,924 million of public investment, or 74 per cent of the non-defence programme. The two largest of these heads, electricity and roads and bridges, take up 26 per cent of total planned public investment (aside from defence). Then comes education, which calls for investment of $231 million, nearly four times as much as during the First Plan. Water supply and land development come next, both of which reflect the Second Plan's emphasis on rural development. Miscellaneous government investment (including police) reflects, as does the last of these large heads, government buildings, the increased responsibilities of our independent status, especially with the formation of Malaysia. Next comes rubber replanting, which calls for $141 million of public funds. (In addition, of course, large private resources go into replanting; in the case of smallholders these are mobilized mainly through the replanting cess levied on all rubber exports). This sum is not much less than what was put into replanting during the First Plan. But then this item was the largest in the whole public investment programme, while now it follows defence and six other heads. Public investment in health projects calls for $139 million, which is thirteen times as much as it received in the First Plan. Drainage and irrigation calls for $124 million.

37. The Second Plan is thus rather different from the first in character, as well as far more ambitious in scale. The First Plan concentrated on public utilities, on transport facilities and on the more directly productive kinds of investment in agriculture. Relatively little went into education, health facilities and social welfare. The Second Plan continues to put much into public utilities and transport, rubber replanting and drainage. But the Second Plan puts new emphasis on education, health, land development, and agricultural research and extension. New public investments are also bringing television to Malaya, and largely by force of circumstances, a number of major new government buildings. In addition, the Second Plan lays great stress on rural development, which is only partly reflected in Table 5, since that table does not show how much of the funds for education, health, communications and the rest are being invested in such ways as to bring benefit to the rural people.

Chart VII

RURAL SECONDARY SCHOOLS
(FULLY ASSISTED SCHOOLS ONLY)



SOURCE: TABLE A-1

Drafted by Department of Information, Malaysia

TABLE 5

ALLOCATION OF PUBLIC INVESTMENT, MALAYAN FIRST AND SECOND FIVE-YEAR PLANS

	First Five-Year Plan 1956-60		Second Five-Year Plan 1961-65			
	Actual Expenditure		Original Targets		Revised Targets	
Activity	$ million	Per cent of Total	$ million	Per cent of Total	$ million *a*	Per cent of Total
AGRICULTURE	*227.5*	*23.4*	*545.3*	*26.1*	*549.8*	*21.1*
Rubber replanting ..	153.4	15.8	165.0	7.9	140.8	5.4
Drainage and Irrigation ..	38.3	4.0	100.0	4.8	124.3	4.8
Land Development ..	16.7	1.7	191.0	9.1	156.9	6.0
Co-operative Credit ..	n.a.	—	20.0	1.0	0.1	0.003
Coconut Rehabilitation and Replanting	—	—	15.0	0.7	3.7	0.1
Research and Extension Work	2.4	0.2	20.0	1.0	23.2	0.9
Animal Husbandry ..	1.7	0.2	10.0	0.5	13.4	0.5
Forestry	2.2	0.2	5.0	0.2	5.0	0.2
Fisheries	2.4	0.2	7.2	0.3	3.5	0.1
Survey	3.6	0.4	6.9	0.3	5.6	0.2
Other	6.8	0.7	5.2	0.2	73.3	2.8
TRANSPORT	*206.5*	*21.2*	*362.0*	*17.3*	*510.0*	*19.6*
Roads and Bridges ..	95.2	9.8	190.0	9.1	336.1	12.9
Railways	71.4	7.3	65.0	3.1	50.2	1.9
Ports	37.0	3.8	55.0	2.6	64.0	2.5
Civil Aviation	2.9	0.3	52.0	2.5	59.7	2.3
P.W.D. PLANT AND EQUIPMENT	*23.6*	*2.4*	*68.7*	*3.3*	*63.9*	*2.5*
COMMUNICATIONS	*51.6*	*5.3*	*72.9*	*3.5*	*129.2*	*5.0*
Telecommunications ..	47.4	4.9	50.0	2.4	84.5	3.2
Broadcasting	2.7	0.3	5.0*b*	0.2	14.9	0.6
Posts	1.5	0.1	17.9	0.9	12.9	0.5
Television	—	—	—	—	16.9	0.6
UTILITIES	*238.6*	*24.6*	*402.0*	*19.2*	*545.7*	*20.9*
Electricity	142.0	14.6	254.0	12.1	341.5	13.1
Water Supply	80.6	8.3	140.0	6.7	196.2	7.5
Sewerage	16.0	1.7	8.0	0.4	8.0	0.3
INDUSTRY	*12.1*	*1.2*	*27.0*	*1.3*	*59.6*	*2.3*
Site Development, etc. ..	11.1	1.1	7.5	0.4	7.9	0.3
Other	1.0	0.1	9.5	0.5	41.3*c*	1.6
Rural Industry	n.a.	—	10.0	0.5	10.4	0.4

Activity	First Five-Year Plan 1956-60		Second Five-Year Plan 1961-65			
	Actual Expenditure		Original Targets		Revised Targets	
	$ million	Per cent of Total	$ million	Per cent of Total	$ million *a*	Per cent of Total
SOCIAL SERVICES	*138.8*	*14.3*	*491.0*	*23.5*	*442.2*	*17.0*
Education	60.9	6.3	260.0	12.4	231.4	9.0
Health	12.7	1.3	145.0	6.9	139.4	5.3
Social Welfare	n.a.	—	6.0	0.3	7.2	0.3
Housing	65.2	6.7	80.0	3.8	64.2	2.5
GENERAL GOVERNMENT ..	*73.0*	*7.5*	*121.1*	*5.8*	*305.9*	*11.7*
Municipal Development..	14.2	1.5	16.7	0.8	48.5	1.9
Government Buildings ..	48.8	5.0	38.8	1.9	100.5	3.9
Miscellaneous (including Police)	10.0	1.0	65.6	3.1	156.9*d*	6.0
TOTAL ..	971.7	100.0	2,090.0	100.0	2,606.3	100.0
DEFENCE	*35.0*		*60.0*		*324.4e*	
GRAND TOTAL ..	1,007.0		2,150.0		2,930.7	

NOTE—Minor inconsistencies result from rounding.

a. Federal estimates have been revised as of 13th November, 1963 and include the 1964 estimates as prepared for submission to Parliament. State estimates include changes made up through 1962. For statutory authorities estimates include revisions up through 1962 except for Central Electricity Board which goes through 31st August, 1963.

b. Includes television, which is shown separately from 1964 onwards.

c. Includes loan of $37.5 million to Malayan Industrial Finance Ltd.

d. Includes $42.8 million for new Malaysia Police works, applying to the new States as well as to Malaya.

e. Includes $237.9 million of new Malaysia Defence construction, applying to the new States as well as to Malaya.

II—PUBLIC INVESTMENT: THE RECORD 1961-63

RATE OF EXPENDITURE

38. Public expenditure on development showed a sudden increase in 1961, after having maintained a remarkably steady pace through the First Five-Year Plan. From $141 million in 1960, outlays of the Federal Government rose 87 per cent in 1961, to $264 million. In 1962 there was another increase of 57 per cent, to $415 million. Thus in two years Federal investment rose to nearly three times its earlier level. A further relatively small increase is taking place this year. (Table 6 and Chart VIII).

TABLE 6

FEDERAL GOVERNMENT DEVELOPMENT EXPENDITURE, AUTHORIZED AND ACTUAL 1955-65

Year	Authorised	Actual	Actual as a % of Authorised
	($ million)		
1955	—	97	
First Five-Year Plan:			
1956	—	147	
1957	—	168	
1958	173	140	81
1959	204	142	70
1960	282	141	50
Total 1956-60		738	
Second Five-Year Plan:			
1961	448	264	59
1962	567	415	73
1963	546	460*b*	84
Total 1961-63	1,561	1,139	73
1964	604*a*	560*b*	
1965	560*b*	525*b*	
Total 1961-65	2,725	2,224	

Notes:

a. **Budget estimate, excluding contingency reserve.**

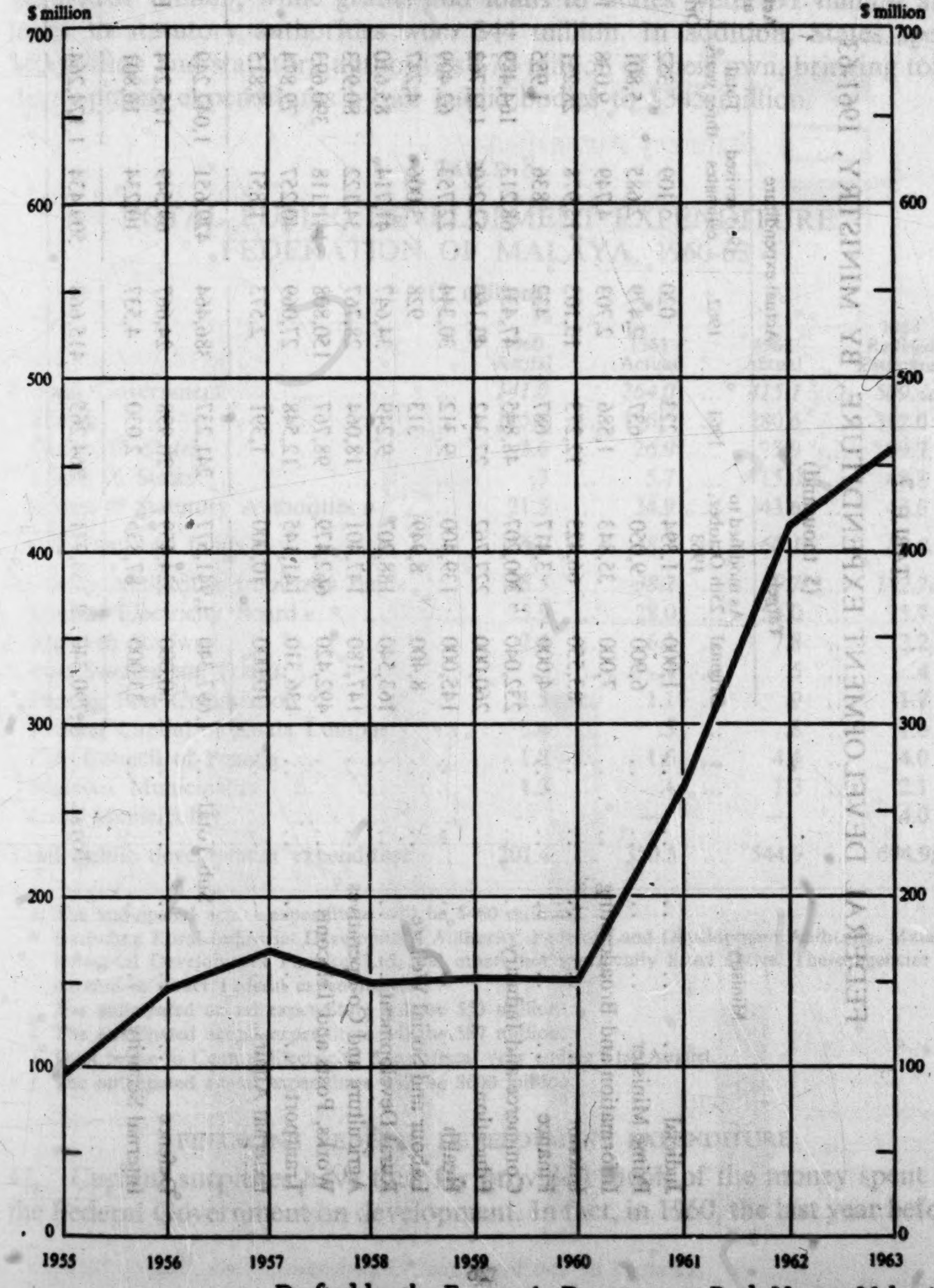
b. **Projected by Economic Planning Unit as at 1st December, 1963.**

39. Budget plans called for even larger Federal expenditures, especially in 1960 and 1961. It proved impossible to spend productively the full amounts our ambitious plans demanded. Under the circumstances it is notable that costs of construction did not rise during this period. And now the rate of actual expenditure has begun to catch up with budget plans. From 50 per cent in 1960, expenditures have risen to probably more than 80 per cent of budget estimates this year (Table 6).

40. The pace of development activity has varied a good deal from one Federal Ministry to another, in accordance with the different tasks assigned. Table 7 shows the record to date. Total non-security expenditures in three years come to 61 per cent of the original 5-year target but only 54 per cent of the revised target.

Chart VIII

FEDERAL DEVELOPMENT EXPENDITURE, 1955-1963



Drafted by the Economic Department, Bank Negara Malaysia

SOURCE: TABLE 6

TABLE 7

FEDERAL DEVELOPMENT EXPENDITURE, BY MINISTRY, 1961-63

($ thousand)

Ministry	Targets		Actual expenditure				Actual expenditure as a per cent of target	
	Original	As modified to 25th October, 1963	1961	1962	1963 revised estimates	Total three years	Original	Modified
Judicial	1,000	1,394	223	020	109	352	35.2	25.3
Prime Minister	6,900	9,050	637	2,479	2,685	5,801	84.1	64.1
Information and Broadcasting	7,000	35,843	1,586	2,703	4,749	9,038	129.1	25.2
Interior	83,550	66,423	12,273	15,103	15,978	28,251	33.8	42.5
Finance	4,000	3,417	687	432	836	1,955	48.9	57.2
Commerce and Industry	232,040	300,207	48,845	47,431	68,213	164,489	70.9	54.8
Education	260,000	227,762	27,342	43,160	52,260	122,762	47.2	53.9
Health	145,000	139,400	9,312	30,344	22,753	62,409	43.0	44.8
Labour and Social Welfare	8,400	8,949	313	928	3,006	4,247	50.5	47.4
Rural Development	163,540	188,207	9,249	34,647	41,714	85,610	52.3	54.9
Agriculture and Co-operatives	147,180	147,401	18,064	28,767	34,122	80,953	55.0	54.9
Works, Posts and Telecoms	492,420	662,479	98,767	150,808	141,118	390,693	79.3	59.0
Transport	136,310	141,145	12,548	27,069	40,257	79,874	58.6	56.6
External Affairs	10,000	10,000	1,391	2,573	1,851	5,815	58.1	58.1
Sub-Total	1,697,340	1,941,677	241,237	386,464	429,651	1,042,249	61.4	53.7
Defence	60,000	324,459	20,998	24,667	69,549	115,214	192.0	35.5
Internal Security	33,000	87,835	2,030	4,537	10,234	16,801	50.9	19.1
TOTAL	1,790,340	2,353,971	264,265	415,668	509,434	1,174,264	65.6	49.9

41. States and statutory authorities get substantial sums from the Federal budget, but in addition spend further sums of their own. Chart IX and Table 8 show total public development expenditures for 1960 and subsequent years, by spending unit. In 1962, for instance, direct Federal expenditures were $281 million, while grants and loans to States were $91 million and loans to statutory authorities were $44 million. In addition, States spent $60 million and statutory authorities $70 million of their own, bringing total development expenditures by all public bodies to $545 million.

TABLE 8

TOTAL PUBLIC DEVELOPMENT EXPENDITURE, FEDERATION OF MALAYA, 1960-63

($ million)

	1960 Actual	1961 Actual	1962 Actual	1963 Revised Estimates
Federal Government	*141.0*	*264.0*	*415.1*	*509.4a*
Direct	115.6	196.5	280.6	312.0
Grants to States	3.6	26.9	75.9	99.7
Loans to States	.3	5.7	15.0	48.8
Loans to Statutory Authorities *b*	21.5	34.9	43.6	48.9
States from own funds	*26.9*	*48.3*	*60.1*	*82.8c*
Statutory Authorities from own funds	*33.5*	*38.2*	*69.7*	*102.7d*
Central Electricity Board *e*	25.9	28.0	54.0	75.7
Malayan Railway	2.4	6.2	7.8	13.2
Port Swettenham Board	.2	.4	.5	.4
Penang Port Commission	1.5	1.1	.9	1.7
Federal Capital of Kuala Lumpur	.4	.5	.8	1.6
City Council of Penang	1.8	1.6	4.4	4.0
Malacca Municipality	1.3	.4	1.3	2.1
Ipoh Municipality	—	—	—	4.0
Total public development expenditure	201.4	350.5	544.9	694.9*f*

a. The anticipated actual expenditure will be $460 million.

b. Excluding Rural Industrial Development Authority, Federal Land Development Authority, Malayan Industrial Development Finance, Ltd, and others not specifically listed above. These agencies are covered in direct Federal expenditure.

c. The anticipated actual expenditure will be $53 million.

d. The anticipated actual expenditure will be $87 million.

e. Data relate to Central Electricity Board fiscal year ending 31st August.

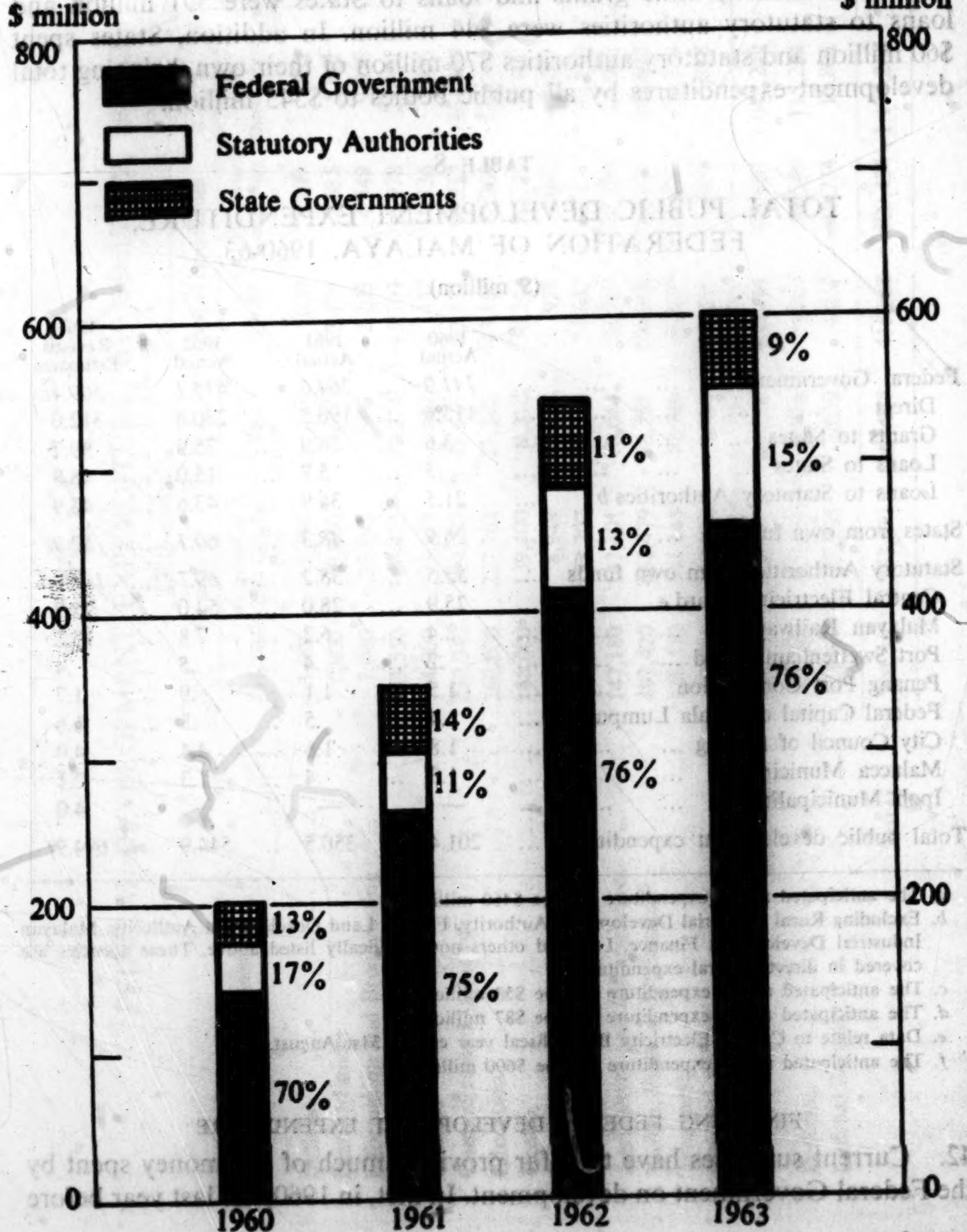
f. The anticipated actual expenditure will be $600 million.

FINANCING FEDERAL DEVELOPMENT EXPENDITURE

42. Current surpluses have thus far provided much of the money spent by the Federal Government on development. In fact, in 1960, the last year before

Chart IX

SOURCES OF PUBLIC DEVELOPMENT EXPENDITURE, 1960-1963



Drafted by the Economic Department, Bank Negara Malaysia

SOURCE: TABLE 8

the Second Plan, revenue was unusually high and exceeded recurrent expenditure by more than total Federal development expenditure (Table 9). Since then the current surplus has shrunk rapidly. Revenue has inched upward, despite falling rubber prices. Recurrent expenditures have risen steadily, and this year are running 27 per cent above their 1960 level. Government is providing over a quarter more than in 1960 in ordinary public services, but without significantly higher income. As a result the current budget has almost ceased to generate any savings that can be spent on development.

TABLE 9

FEDERAL REVENUE, EXPENDITURE AND SOURCES OF FINANCING, FEDERATION OF MALAYA, 1960-63

($ million)

	1960	1961	1962	1963
Revenue	1,069	1,081	1,097	1,130
Recurrent expenditure	830	887	952	1,050
Current surplus	239	194	145	80
Development expenditure	141	264	415	460
(Deduct Malaysia adjustment for 1963) ...	—	—	—	10
Total budget surplus or deficit	+ 98	− 70	−270	−370
Sources of financing:				
Foreign borrowing	44	31	38	62
Domestic borrowing	168	125	148	186
Use of foreign reserves	−298	−142	75	122
Use of domestic reserves	− 9	39	− 23	—
Other	− 3	17	32	—

III—PUBLIC INVESTMENT PROGRAMME, 1964 AND 1965

43. Development estimates of the Federal Government for 1964 have been presented to Parliament. These reflect the current evaluation of what has been achieved to date in the Second Five-Year Plan and are the executive recommendations on what the Federal Government should attempt in 1964. In preparing these 1964 estimates, the officials concerned have looked also at total estimates for the first four years of the Plan and assigned rough targets for 1965, thus also providing new total targets for the five years.

44. These 1964 estimates apply technically to all of Malaysia. Most development activity in Sabah and Singapore is State activity, but in Sarawak Federal expenditures constitute the greatest part of total public development expenditures, although the sums involved do not loom large in the Federal Budget. The result is that, although some of the Federal investment planned in these estimates will take place in the new States, most will be in Malaya,

TABLE

SECOND FIVE-YEAR PLAN FEDERAL DEVELOPMENT

Head (1)	Department (2)	Revised Estimated Total Cost (3) $	Actual to 31-12-60 (4) $	Total Estimate 1961-65 (5) $
100	Judicial	1,424,403	29,987	1,394,416
101	Prime Minister	7,472,937	—	7,472,937
102	Statistics	1,576,964	—	1,576,964
103	Radio	25,886,147	1,499,682	14,866,245
104	Television	16,957,166	—	16,957,166
105	Information	4,860,402	108,874	4,020,064
106	Interior	547,510	—	547,510
107	Chemistry	51,859	29,028	22,831
108	Printing	1,770,218	89,369	1,680,849
109	Prisons	3,150,687	165,243	2,285,444
110	Housing	51,355,000	6,355,000	32,973,763
111	Federal Capital	19,950,000	2,000,000	16,350,010
112	Malacca Municipality	710,000	310,000	400,000
113	George Town	12,520,000	2,370,000	9,650,000
114	Aborigines	2,512,284	—	2,512,284
120	Customs	4,748,719	81,936	3,416,783
121	C.E.B. Other Commerce	721,714,300	215,404,663	300,207,082
122	Education	260,318,503	318,503	227,762,172
123	Medical	191,750,046	6,789,700	139,400,000
124	Labour	2,425,903	10,903	2,415,000
125	Social Welfare	6,629,904	95,769	6,534,135
126	Rural Development	242,843,712	20,494,553	181,500,617
127	Geological Survey	659,532	5,930	653,602
128	Mines	450,000	—	450,000
129	Survey	6,197,361	73,024	5,602,488
130	Agriculture	35,800,744	470,073	23,583,785
131	Co-operatives	1,870,984	31,599	1,839,385
132	Drainage and Irrigation	338,731,756	26,730,737	104,077,864
133	Fisheries	5,631,959	1,750,713	3,413,263
134	Forestry	6,544,414	199,414	4,153,671
135	Veterinary	10,527,836	194,886	10,332,950
136	Postal	17,926,246	205,134	12,887,652
137	Roads and Bridges	421,037,641	6,461,816	307,454,825
138	Water Supplies	186,190,144	43,240,632	131,799,512
139	Government Buildings	76,686,110	7,014,276	49,751,113
140	P.W.D. Plant	77,635,385	15,302,435	62,332,950
142	Government Housing	22,364,420	5,066,023	13,705,524
144	Telecommunications	118,515,060	28,195,417	84,547,360
145	Railways	28,350,000	6,453,000	21,897,000
146	Ports	101,519,000	12,761,771	54,457,229
147	Civil Aviation	59,823,283	99,442	59,723,841
148	Meteorological	523,577	17,058	506,519
149	Marine	5,726,819	1,165,820	4,560,999
152	External Affairs	16,803,662	6,803,662	10,000,000
	Sub-total	3,120,692,597	418,396,072	1,941,677,804
115	Armed Forces	586,941,489	45,217,751	324,458,797
118	Police	151,399,648	35,664,155	87,834,728
	Sub-total	3,859,033,734	499,277,978	2,353,971,329
	Contingencies Reserve	..	..	..
	TOTAL	..	..	..

10

EXPENDITURE BY HEAD, BY YEARS, 1961-65

Actual in 1961 (6) $	Actual in 1962 (7) $	Revised Estimate 1963 (8) $	Estimated in 1964 (9) $	Estimated in 1965 (10) $	Balance to complete after 1965 (11) $
222,994	20,504	109,000	458,500	583,418	—
501,718	2,144,692	2,283,113	1,884,338	659,076	—
135,038	333,734	401,700	82,500	623,992	—
1,437,207	2,032,217	2,729,386	6,109,515	2,557,920	9,520,220
—	2,719	168,281	11,570,366	5,215,800	—
149,208	668,189	1,851,360	1,351,307	—	731,464
37,704	—	147,500	—	362,306	—
10,261	—	—	12,570	—	—
400,117	859,717	218,741	202,274	—	—
88,521	510,099	652,154	450,796	583,874	700,000
6,539,000	5,934,763	8,500,000	6,000,000	6,000,000	12,026,237
3,250,000	2,400,000	3,500,000	3,450,010	3,750,000	1,599,990
400,000	—	—	—	—	—
1,010,000	4,800,000	2,590,000	750,000	500,000	500,000
537,406	598,878	370,000	506,000	500,000	—
686,880	432,533	836,068	1,461,302	—	1,250,000
48,845,261	47,431,312	68,213,339	65,502,005	70,215,165	206,102,555
27,341,851	43,159,938	52,260,383	55,000,000	50,000,000	32,237,828
9,311,901	30,343,949	22,753,464	33,070,729	43,919,957	45,560,346
132,529	268,810	752,789	1,055,010	205,862	—
180,460	659,539	2,252,842	2,422,481	1,018,813	—
7,835,973	32,325,665	40,250,000	56,748,044	44,340,935	40,848.542
71,034	63,652	156,000	224,861	138,055	—
—	94,761	275,184	80,055	—	—
1,341,619	2,163,515	1,033,254	584,100	480,000	521,849
1,992,746	2,753,296	5,479,557	7,199,910	6,158,276	11,746,886
193,295	298,441	748,077	486,500	113,072	—
13,236,407	22,495,834	24,125,726	22,119,725	22,100,172	207,923,155
640,239	700,625	576,321	626,098	869,980	467,983
288,920	352,923	1,176,066	1,714,575	621,187	2,191,329
1,712,746	2,165,570	2,015,903	2,195,470	2,243,261	—
794,087	1,453,641	1,260,009	2,056,835	7,323,080	4,833,460
30,280,280	86,438,543	70,893,451	81,922,158	37,920,393	107,121,000
15,179,401	14,535,588	22,410,737	42,460,227	37,213,559	11,150,000
5,967,928	8,064,037	17,444,200	9,296,564	8,978,384	19,920,721
29,923,714	20,556,881	7,770,522	4,081,833	—	—
3,503,696	3,392,750	2,240,529	2,568,549	2,000,000	3,592,873
13,118,343	16,367,127	19,098,436	22,770,391	13,193,063	5,772,283
1,110,000	2,714,000	5,979,010	5,847,000	6,246,990	—
10,000,000	16,711,421	15,860,934	1,614,874	10,270,000	34,300,000
887,903	6,847,397	17,652,438	21,299,427	13,036,676	—
18,474	66,889	219,156	119,010	82,990	—
531,809	729,505	545,355	1,729,330	1,025,000	—
1,391,081	2,573,465	1,850,700	1,997,000	2,187,754	—
241,237,751	386,467,119	429,651,685	481,082,239	403,239,010	760,618,721
20,998,247	24,667,499	69,548,882	92,370,841	116,873,328	217,264,941
2,029,997	4,537,029	10,234,503	31,020,697	40,012,502	27,900,765
264,265,995	415,671,647	509,435,070	604,473,777	560,124,840	1,005,784,427
..	..	..	25,000,000		
..	..	..	629,473,777		

and thus the figures are generally comparable to those for Federal development expenditures in earlier years. Financial transfers help to equalize the burden. (These are called "Malaysia adjustment" in Tables 9 and 20).

45. Table 10 shows in detail what the proposed development expenditures are for 1964 and what is estimated for 1965. Each budget head concerned with development is shown separately. Two defence heads are included because of the need to provide expanded facilities for the armed forces and police, now that Malaysia puts heavier defence burdens on the Federal Government. These defence heads are shown only at the end of Table 10, permitting us to see the total of all non-defence development expenditures separately.

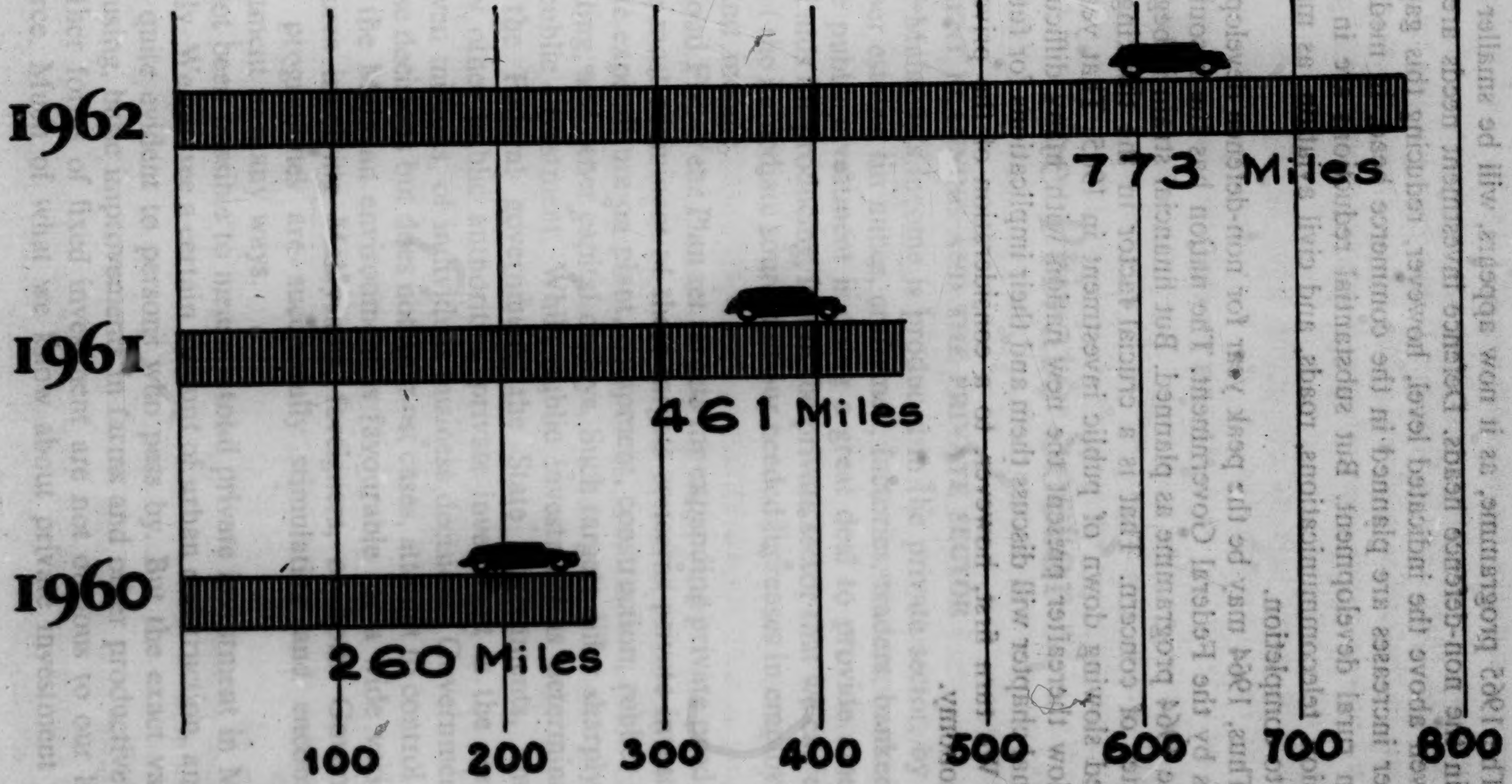
46. In addition to its information for 1964 and 1965, Table 10 shows reported actual expenditures in 1961 and 1962, estimated actual expenditures in 1963, and several totals. Combining the figures for each head for all five years of the Second Five-Year Plan gives the total estimates, as revised to date, for the whole plan period. In addition the table takes note of the fact that some Second-Plan projects began before 1961, and some will continue after 1965. Putting all these figures together, the first money column of the table shows the total estimated cost of all Second-Plan projects, by budget head, including costs incurred before 1961 and those that will still remain to be incurred after 1965.

47. Total development estimates come to $481 million in 1964, without defence or police. This represents an increase of 5 per cent over what the Ministries and Departments expect to spend in 1963. Including defence, and police, the 1964 estimate comes to $604 million, and in addition there is planned a $25 million contingency reserve, to meet unexpected difficulties, needs or opportunities. Total Federal development expenditure could, therefore, be as high as $629 million. In fact, neither the 1963 estimated total, nor the maximum 1964 possibility appears likely to be reached. Some Ministries and Departments will find that they cannot do all they plan, or even all they now expect to do. Still, 1964 development outlays will exceed those of 1963, perhaps by $100 million or even more.

48. This 1964 increase will probably occur mainly in the two defence heads. Elsewhere increases will probably be moderate, and there will be some decreases, where major projects are completed in 1963 or early in 1964. Radio and television will rise sharply, as the capacity of radio broadcasting stations is increased, and television appears in Malaya for the first time—not in one centre alone, but, by means of modern transmission facilities, in most West-Coast areas. Water supplies will receive a much enlarged investment in 1964, as will medical facilities. Increases are planned in rural development, agriculture, telecommunications and civil aviation.

Chart X

NEW ROADS COMPLETED



SOURCE: TABLE 1

Drafted by Department of Information, Malaysia

49. The 1965 programme, as it now appears, will be smaller than that of 1964 in the non-defence heads. Defence investment needs are expected to rise even above the indicated level, however, reducing this gap somewhat. Further increases are planned in the commerce head, in medical facilities and in rural development. But substantial reductions are in prospect for television, telecommunications, roads, and civil aviation, as major projects come to completion.

50. Thus, 1964 may be the peak year for non-defence development expenditures by the Federal Government. The nation has the resources to carry out the 1964 programme as planned. But financial strain is beginning to be a matter of concern. That is a crucial factor in the thinking behind the planned slowing down of public investment in 1965. That year and those to follow thereafter present the new nation with many difficult problems. The final chapter will discuss them and their implications for future development. We turn first, however, to a consideration of the private sector of our economy.

CHAPTER 4

The Private Sector

I—GOVERNMENT PLANNING AND THE PRIVATE SECTOR

51. Most of Malaysia's income is produced in the private sector, by small farmers, rubber estates, tin mines, craftsmen, factories, traders, bankers and others. While public investment is doing a great deal to provide amenities for living and aids for producing, it is in the private sector that we can expect to find most of the immediate sources of our needed increases in employment, production and income.

52. The Second Five-Year Plan set targets for expanding private productive capacity. The most prominent of these targets concerns private investment, that is, private expenditure on plant, equipment, construction, rubber planting or replanting, and other capital outlays. Such targets differ sharply from targets for public investment. While public investment is determined by decision of the Federal government, the State governments, and the relatively few other public authorities, private investment is the result of thousands, even millions, of individual business decisions. Government can influence these decisions but does not, in most cases, attempt to control them. Fortunately, the Malayan environment is favourable for a wide variety of private ventures involving Malaysians, foreigners, or both. Government policies and programmes are successfully stimulating and encouraging private investment in many ways.

53. It has not been possible to measure total private investment in Malaya except roughly. We can see a certain amount of urban construction, and new factories are quite evident to persons who pass by. But the exact value of kampong housing, basic improvements in farms and other productive units, and many other forms of fixed investment are not obvious to our limited statistical force. Much of what we know about private investment comes

from import statistics for machinery, and from incomplete reports on construction activity. At present statistics are available on private investment only through 1960, and the Statistics Department has just made substantial revisions in the earlier preliminary figures for that year. Consequently, we do not know in detail what private investment has taken place during the Second Five-Year Plan.

54. Still, it seems safe to estimate that private investment will probably reach, or even somewhat exceed, the Plan target of $2,900 million for the whole period, 1961-65. Actual investment in 1960, an unusually good year, is now estimated at $567 million. With population and production increasing, and with public investment soaring as it is, private investment during the Second Plan may well average somewhat more than the actual level of 1960. An average of $580 million for five years would give a total of $2,900 million.

55. Private enterprise, therefore, is doing the job expected of it by the framers of the Second Plan. No revolutionary changes can yet be said to have taken place in the nature of production, but the scale appears to be expanding satisfactorily. The sections that follow will treat particular aspects of private productive activity.

II—AGRICULTURE, FORESTRY AND FISHING

56. Output is rising in Malayan agriculture and forestry, and until recently in fishing as well. Nearly all leading products appear to share in this expansion, especially rubber, palm oil and sawn timber (Table 11). Growth is not smooth or evenly divided, but four of the five products listed in Table 11 showed record production in 1962. In the case of coconuts and coconut products, however, available information suggests that output may be declining.

TABLE 11

OUTPUT OF SELECTED AGRICULTURAL PRODUCTS, FEDERATION OF MALAYA, 1958-62

(thousand tons)

	1958	1959	1960	1961	1962
Rubber	663	698	708	737	751
Rice	415	371	480	525	498
Palm oil	70	72	90	93	106
Canned pineapple *a* ...	29	27	33	33	34
Sawn timber *b*	503	544	729	711	756

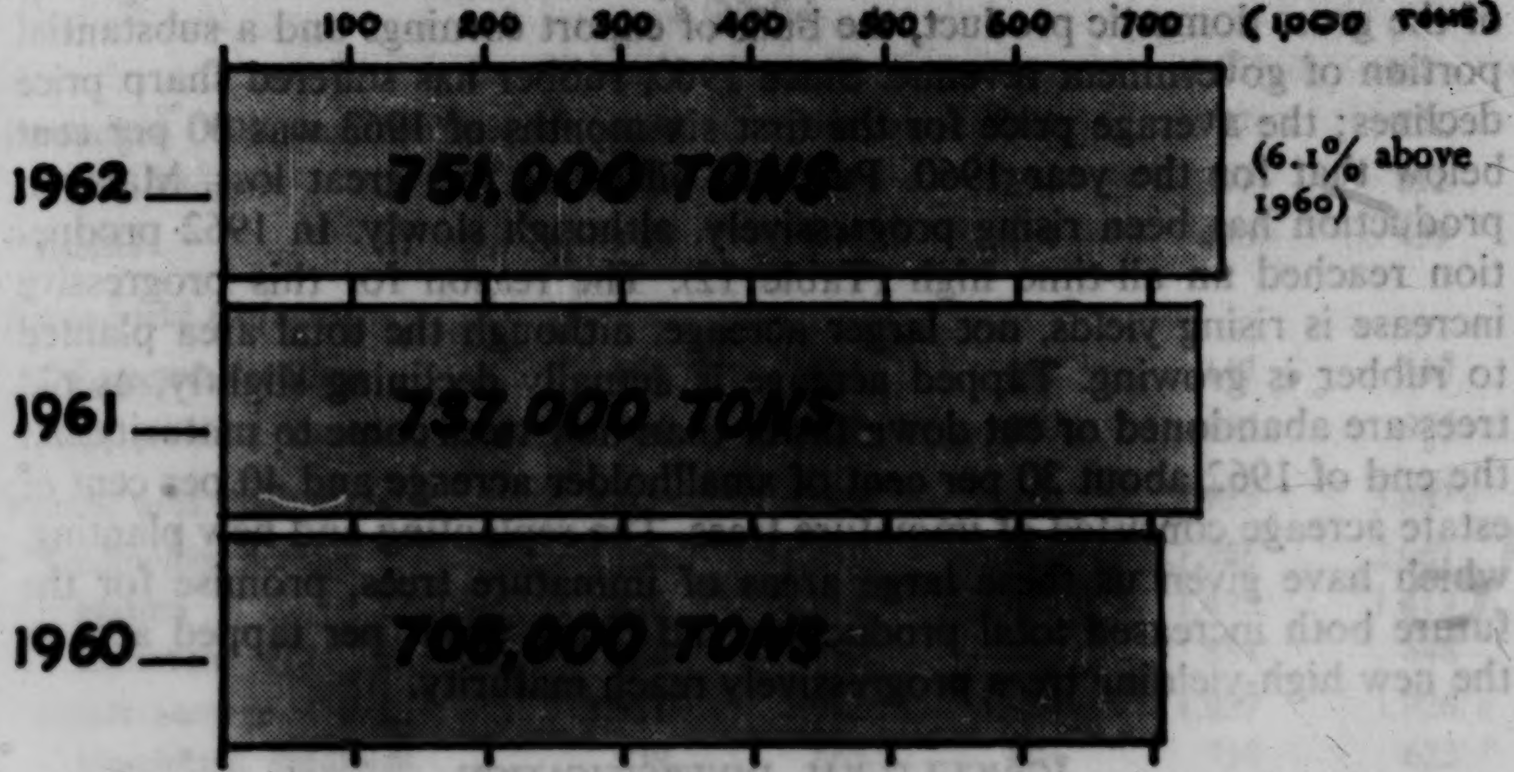
a. Exports.

b. Thousand tons of 50 cubic feet.

Sources: Department of Statistics. *Monthly Statistical Bulletin of the Federation of Malaya*; *Rubber Statistics Handbook*, 1962; and Ministry of Agriculture and Co-operatives.

Chart XI

RUBBER PRODUCTION



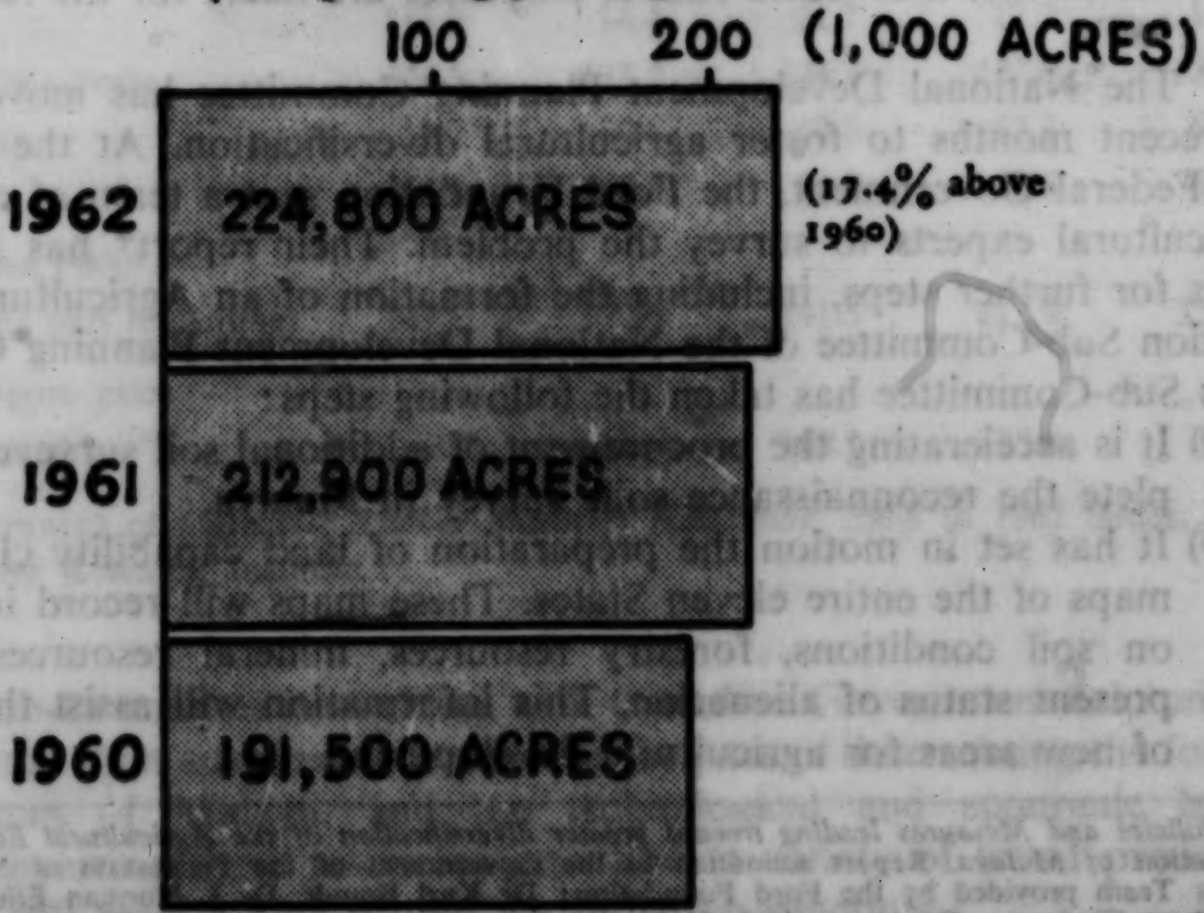
SOURCE : TABLE 1

Drafted by Department of Information, Malaysia

Chart XII

RUBBER PLANTING

(New planting plus replanting)



SOURCE: TABLE 12

Drafted by Department of Information, Malaysia

RUBBER

57. Rubber is far and away the leading product of Malaya, and economic life depends heavily on this one commodity. It accounts for about a quarter of the gross domestic product, the bulk of export earnings and a substantial portion of government revenue. Since 1960, rubber has suffered sharp price declines; the average price for the first six months of 1963 was 30 per cent below that for the year 1960. Partially offsetting this great loss, Malayan production has been rising progressively, although slowly. In 1962 production reached an all-time high (Table 12). The reason for this progressive increase is rising yields, not larger acreage, although the total area planted to rubber is growing. Tapped acreage is actually declining slightly, as old trees are abandoned or cut down faster than new trees come to maturity. At the end of 1962 about 30 per cent of smallholder acreage and 40 per cent of estate acreage consisted of immature trees. The replanting and new planting, which have given us these large areas of immature trees, promise for the future both increased total production and rising yields per tapped acre as the new high-yielding trees progressively reach maturity.

AGRICULTURAL DIVERSIFICATION

58. Malaysia's acute need to diversify its sources of production is increasingly evident and urgent as rubber prices fall. The long-run prospect is for low priced rubber, because excellent synthetics can now be produced at low cost, and the rubber consuming countries are building synthetic rubber factories so fast that world rubber surpluses are likely for the remainder of the 1960's.

59. The National Development Planning Committee has moved strongly in recent months to foster agricultural diversification. At the request of the Federal Government, the Ford Foundation sent a team of experienced agricultural experts to survey the problem. Their report[*] has formed the basis for further steps, including the formation of an Agricultural Diversification Sub-Committee of the National Development Planning Committee. This Sub-Committee has taken the following steps:

(*a*) It is accelerating the procurement of additional soil surveyors to complete the reconnaissance soils survey in Malaya.

(*b*) It has set in motion the preparation of land capability classification maps of the entire eleven States. These maps will record information on soil conditions, forestry resources, mineral resources, and the present status of alienation. This information will assist the selection of new areas for agricultural development.

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[*] *Policies and Measures leading toward greater diversification of the Agricultural Economy of the Federation of Malaya.* Report submitted to the Government of the Federation of Malaya by the Survey Team provided by the Ford Foundation: Dr Karl Brandt, Dr J. Norman Efferson, Dr Don Paarlberg, Chairman. February, 1963. Kuala Lumpur: Government Printer. $2.

TABLE 12

SELECTED RUBBER STATISTICS, FEDERATION OF MALAYA, 1958-62

	1958	1959	1960	1961	1962
Production ('000 tons)	*663*	*698*	*708*	*737*	*751*
Smallholdings	273	290	294	307	312
Estates	390	408	414	430	439
Estate yield (lb/acre)					
Unselected seedlings ...	404	434	442	449	440
High yielding materials ...	854	898	927	965	975
Planted area ('000 acres) ...	*3,747*	*3,783*	*3,840*	*3,923*	*3,987*
Smallholder acreage	1,766	1,841	1,906	1,986	2,061
Mature	1,470	1,464	1,457	1,435	1,413
Immature	296	377	449	551	648
Estate acreage	1,981	1,942	1,934	1,937	1,926
Unselected seedlings ...	939	868	804	710	622
High yielding materials ...	1,042	1,074	1,130	1,227	1,304
Mature	642	644	665	716	780
Immature	400	430	465	511	524
New Planting ('000 acres) ...	*24.7*	*35.3*	*46.8*	*85.1*	*92.5*
Smallholdings	10.8	20.9	25.1	67.4	82.5
Estates	13.9	14.4	21.7	17.7	10.0
Replanting ('000 acres) .., ...	*124.5*	*137.3*	*144.7*	*127.8*	*132.3*
Smallholdings	59.7	69.1	69.5	57.3	69.2
Estates	64.8	68.2	75.2	70.5	63.1
Total new acres ('000)					
(New planting plus replanting)	149.2	172.6	191.5	212.9	224.8
Average Singapore price					
(RSS 1, cents/lb)	80.2	101.6	108.1	83.5	78.2

Source: Department of Statistics, *Rubber Statistics Handbook*, 1958 to 1962 issues; and Rubber Research Institute.

(*c*) The Sub-Committee is working, with Canadian Government help under Colombo Plan auspices, to accelerate the pace of determining the forest resources of Malaya, and the technological and economic basis for converting these resources into a wide variety of wood products while still maintaining proper conservation practices.

(*d*) It is determining the need for external assistance in providing the specialized agricultural experts for research and education and the sources from which they might come.

(*e*) The Committee is studying ways to expand and strengthen the College of Agriculture at Serdang, the Department of Agriculture at the University of Malaya, and the teaching of agriculture in the secondary and secondary continuation schools. These steps should produce a greatly increased flow of agriculturally trained people.

LAND DEVELOPMENT

60. Fortunately, the States of Malaya are sparsely populated, and there remain substantial areas of unused land appropriate for agriculture. Settling this land provides employment for farmers who may have no land, or who have insufficient land to meet their needs and insufficient work to do. If we can open up new land fast enough to absorb the growing rural population, we shall be making a strong start at removing rural poverty, for there will not be growing numbers pressing on a fixed amount of land. We seek also to provide additional land for present farmers whose farms are too small.

61. The first step in developing unused land is for the State government, which holds title, to release, or alienate, the land, for approved uses. Land alienation has taken place under three schemes, Federal Land Development Authority (FLDA), Fringe Alienation, and Controlled Alienation. Table 13 shows what has been happening under these schemes. The total amount of land being newly settled is expanding very rapidly, and so is the number of settlers involved. Altogether, during the first half of the Second Five-Year Plan 37 thousand families have acquired 179 thousand new acres.

FORESTRY

62. Malayan forests provide timber and fuel for domestic use and some exports. There is room for large expansion of production. Both production and export of forest products have risen irregularly in recent years, especially with the passing of the Emergency. State forest land is progressively being alienated and cut to make way for agriculture. Federal Reserved Forests, on the other hand, constitute permanent forests, whose management seeks to maximize long-run yield. Conservation practices seek to minimize waste and to maximize usable timber production when an area is being cut. After removal of merchantable timber, unwanted trees are killed by poison girdling. Later when natural regeneration has produced small new trees, those of undesirable species are eliminated in two or three operations. These

TABLE 13

LAND DEVELOPMENT, FEDERATION OF MALAYA, 1960-63

	1960	1961	1962	June 1963	Increase 31 Dec., 1960 to 30 June, 1963
		(Total for end of each period)			
FLDA Schemes—					
Schemes, number	25	37	50	50	25
Settlers, number	3,134	3,551	5,015	5,870	2,736
Acres planted	19,600	35,090	57,526	62,008	42,408
Fringe Alienation—					
Schemes, number	—	102	273	428	428
Settlers, number	—	4,294	16,179	22,318	22,318
Acres planted	—	14,088	63,166	92,500	92,500
Controlled Alienation—					
Schemes, number	—	—	29	97	97
Settlers, number	—	—	2,015	12,284	12,284
Acres planted	—	—	8,289	43,931	43,931
Total increase during each period—					
Schemes, number	—	114	213	223	550
Settlers, number	—	4,556	15,409	17,263	37,228
Acres planted	—	29,578	79,801	69,458	178,837

Source: Department of Statistics.

and other techniques are raising the yield of treated areas. The Second Five-Year Plan does not cover a period long enough to show results from such practices, since the Malayan Uniform System of forest care is based on a 70-year growth cycle. But 50,000-70,000 acres of forest land are being treated each year, and their ultimate yield is expected to be multiplied by four to five times.

63. To find ways to produce more from Malaya's large forest resources, the Federal Government is pressing ahead with these surveys. From these, Government hopes to be able to make wise allocations of particular lands for forest, farm and mining uses. Among forest industries whose possibilities are being explored are plywood, veneer, pulp and paper. In exploring possible paper production thought is being given also to such fibres as rice straw and rubber trees.

FISHING

64. The total volume of marine fish reported as being landed at Federation ports fluctuated between 108,000 and 120,000 tons during most of 1950's.[1] An increase set in toward the end of the decade, and has continued in the 1960's as follows:

1958	112,100 tons
1959	118,600 „
1960	139,500 „
1961	150,700 „
1962	170,200 „

This growth far exceeds the target of 10 per cent envisaged in the Second Five-Year Plan. The favourable record results in large part from improved fishing boats and gear. The number of powered boats rose rapidly, from 4,550 in 1955, to 8,940 in 1960 and 9,665 in 1961, ~~only to decline again to~~
nd 9,772 ~~9,0~~82 in 1962. With power, boats can be larger, and today's larger boats are less affected by rough seas, especially in the rough waters off the East Coast, than are smaller boats without engines. Improved gear has made the new, powered boats even more effective.

65. Government programmes have assisted this improvement of equipment. Credits, especially to co-operatives, have been an important means. Certain government controls have proved necessary, for instance a temporary ban on trawl fishing to prevent undue depletion of fish in certain areas. In addition, Government has assisted in the establishment of co-operative marketing, both through financial assistance, and by technical guidance and training. Particularly helpful are eight cold rooms on the East Coast constructed with Canadian help under the Colombo Plan.

66. Indonesian confrontation since Malaysia Day has interfered with fishing in the rich waters of the Straits of Malacca. Indonesian gunboats have encroached in Malaysian territorial waters, as well as interfering with fishing on the high seas, robbing fishermen of their catches, gear and boats, and even killing some Malaysians. If this interference continues, we must expect fish landings to be cut until Malayan fishermen succeed in developing new sources of fish farther way.

67. Freshwater fish production is also expanding, especially through fish culture in flooded rice-land and in abandoned tin mining pools. Government is assisting, both through development of new techniques and through breeding and distribution of fry.

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[1] An unknown additional volume of fish comes into small ports or is landed on the coast.

III—MINING AND MANUFACTURING

A—MINING

68. Tin production has recovered from the restricted levels of 1958 and 1959, and prices have been higher since 1960 than at any other time since 1952 (Table 14). In recent months prices have risen even further. Iron ore production is rising, although irregularly, and iron ore is now a prominent secondary export product. Bauxite production, which reached a peak in 1960, has since declined as a result of slack demand.

TABLE 14

TIN, IRON ORE, AND BAUXITE STATISTICS, FEDERATION OF MALAYA, 1958-62

	1958	1959	1960	1961	1962
Production ('000 tons):					
Tin-in-concentrates	38.5	37.5	52.0	56.0	58.6
Iron ore	2,795	3,761	5,640	6,734	6,507
Bauxite	262	382	452	410	349
Prices (average monthly):					
Tin ($ per picul in Singapore)	369	397	394	448	448

Source: Department of Statistics, *Monthly Statistical Bulletin of the Federation of Malaya*, August 1963.

B—MANUFACTURING OUTPUT

69. Manufacturing output is rising rapidly, although still a small factor in the Malayan economy. Table 15 shows the value of goods produced in selected industries. Table 16 gives indicators of production in terms of physical units.

C—GOVERNMENT PROGRAMMES TO FOSTER MANUFACTURING

70. Government, both Federal and State, is doing much to stimulate industrial expansion in Malaya. While manufacturing remains almost exclusively a function of private enterprise, Government smooths the way by providing various aids and stimuli to hasten the process of industrialization. The Federal Government regards this as a matter of very high priority. In the words of the Second Five-Year Plan, "For the future, the importance of manufacturing to the Federation's long-run development and economic diversification can hardly be over-emphasized." (p. 19)

TABLE 15

NET VALUE OF OUTPUT OF SELECTED MANUFACTURING INDUSTRIES, FEDERATION OF MALAYA, 1959-61

($ thousand)

an

	1959		1960		1961
Processing of rubber and coconut oil in factories off estates	43,730	...	47,542	...	43,2
Food manufacturing industries	16,139	...	21,729	...	21,1
Beverage manufacturing industries	9,658	...	11,249	...	11,1
Tobacco products manufacturing industries ...	10,624	...	17,866	...	22,2
Wood products manufacturing industries ...	28,207	...	38,089	...	35,0
Rubber products manufacturing industries ...	12,377	...	14,312	...	15,2
Chemical products manufacturing industries ...	15,083	...	20,004	...	24,5
Non-metallic minerals products manufacturing industries	5,933	...	7,643	...	9,0
Basic metals and metal products manufacturing industries	7,041	...	8,678	...	10,7
Machinery manufacturing industries	2,799	...	3,695	...	4,2
Transportation equipment manufacturing industries	2,552	...	3,169	...	3,5
Other covered industries and establishments ...	12,451	...	16,020	...	21,0
Total, selected industries ...	166,594	...	209,996	...	221,3

Source: Department of Statistics, *Survey of Manufacturing Industries, Federation* *Malaya*, 1961.

71. In anticipation of the formation of Malaysia, the World Bank w requested to send a Mission to the Federation, Singapore and the Borne Territories to examine the economic aspects of Malaysia. The Mission, und the Chairmanship of Mr Jacques L. Rueff, focused its attention mainly customs union arrangements and industrial development in Malaysia. Maj points in the Mission's report[1] have been adopted as Annex J to the Malays Agreement[2].

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[1] Federation of Malaya, *Report on the Economic Aspects of Malaysia by a Mission of the I national Bank for Reconstruction and Development under the Chairmanship of Mr Jacques R July 1963* (Kuala Lumpur: Government Press, 1963). This is commonly known as the Rueff Repor

[2] Federation of Malaya, "Agreement Between the Governments of the Federation of Malaya Singapore on Common Market and Financial Agreements (Annex J)," in *Malaysia Agreement Concl Between the United Kingdom of Great Britain and Northern Ireland, North Borneo, Sarawak Singapore* (Kuala Lumpur: Government Printing Department, 1963).

TABLE 16

PRODUCTION OF SELECTED MANUFACTURED GOODS, FEDERATION OF MALAYA, 1955, 1960, 1961 AND 1962

	Unit	1955	1960	1961	1962
1. TOBACCO PRODUCTS:					
(*a*) Cigarettes and cigars ..	million pounds	5.0	9.6	11.3	12.6
(*b*) Other manufactured tobacco	million pounds	2.6	2.2	2.3	2.3
2. SOAP	'000 cwt	287	356	378	384
3. BISCUITS	'000 cwt	104	319	340	353
4. AERATED WATERS	million gallons	8.4	12.8	12.7	12.5
5. PINEAPPLE PRODUCTS (exports)..	'000 tons	20	33	33	34
6. RUBBER MANUFACTURES:					
(*a*) Sheeting and matting ..	M$ million	3.7	4.3	4.9	5.1
(*b*) Foam rubber mattresses ..	'000 units	n.a.	45	48	56
(*c*) Other foam rubber	'000 pounds	n.a.	1,032	1,423	1,707
(*d*) Rubber compounds ..	million pounds	2.3	3.5	3.6	3.5
(*e*) Bicycle tubes	'000 pieces	743	1,238	1,822	2,025
(*f*) Canvas shoes and slippers ..	'000 doz. pairs	918	1,329	1,335	1,393
(*g*) Rubber soles and heels ..	'000 doz. pairs	19	81	92	72
7. REMILLED RUBBER AND SMOKED SHEETS (crepe)	'000 tons	64	85	74	77
8. BUILDING MATERIALS:					
(*a*) Cement	'000 long tons	107	282	326	321
(*b*) Bricks and tiles	million pieces	n.a.	44	97	110
(*c*) Spun concrete pipes ..	'000 feet	n.a.	167	240	279
9. TIN METAL (tin ore refined by smelter)	'000 long tons (metal content)	71	76	79	82
0. COCONUT OIL (crude and refined)	'000 tons	n.a.	73	87	92

ource: Department of Statistics, *Monthly Statistical Bulletin of the States of Malaya*, October 1963.

PIONEER INDUSTRIES

2. Under the Pioneer Industries (Relief from Income Tax) Ordinance the ederation of Malaya granted 99 certificates of pioneer industry status etween 1958 and the end of June 1963. The amount of called-up capital for ese new firms is $133.6 million. Of the called-up capital 73% has been upplied from overseas sources. These companies will have an estimated

total employment of about 10,000 in the initial stage, which may be expected to increase to about 15,000 by the end of the tax relief period. Of the 99 approved industries it is estimated that 70 have started production and now employ about 5,000 workers. Almost half of the establishments are in the chemical group, about a quarter in metals and engineering and the others in food, beverages, tobacco and non-metallic minerals. The Pioneer Industry programme has operated thus far in spite of staffing difficulties in the Ministry of Commerce and Industry, problems of site acquisition, and uncertainties about tariff protection.

PIONEER INDUSTRY LEGISLATION

73. The Rueff Report recommends that as soon as possible after Malaysia Day, the Pioneer Industry laws in the several States of Malaysia should be replaced by new Federal legislation. The report recommends that consideration be given to changing the scope of incentives granted to pioneer industries.

74. The Federal ordinance exempts pioneer industry firms from the payment of income tax for an initial period of two years if the company's fixed capital investment does not exceed $100,000. The period can be extended to three years if the investment is valued at between $100,000 and $250,000 or to five years if it exceeds $250,000.

INDUSTRIAL ESTATES

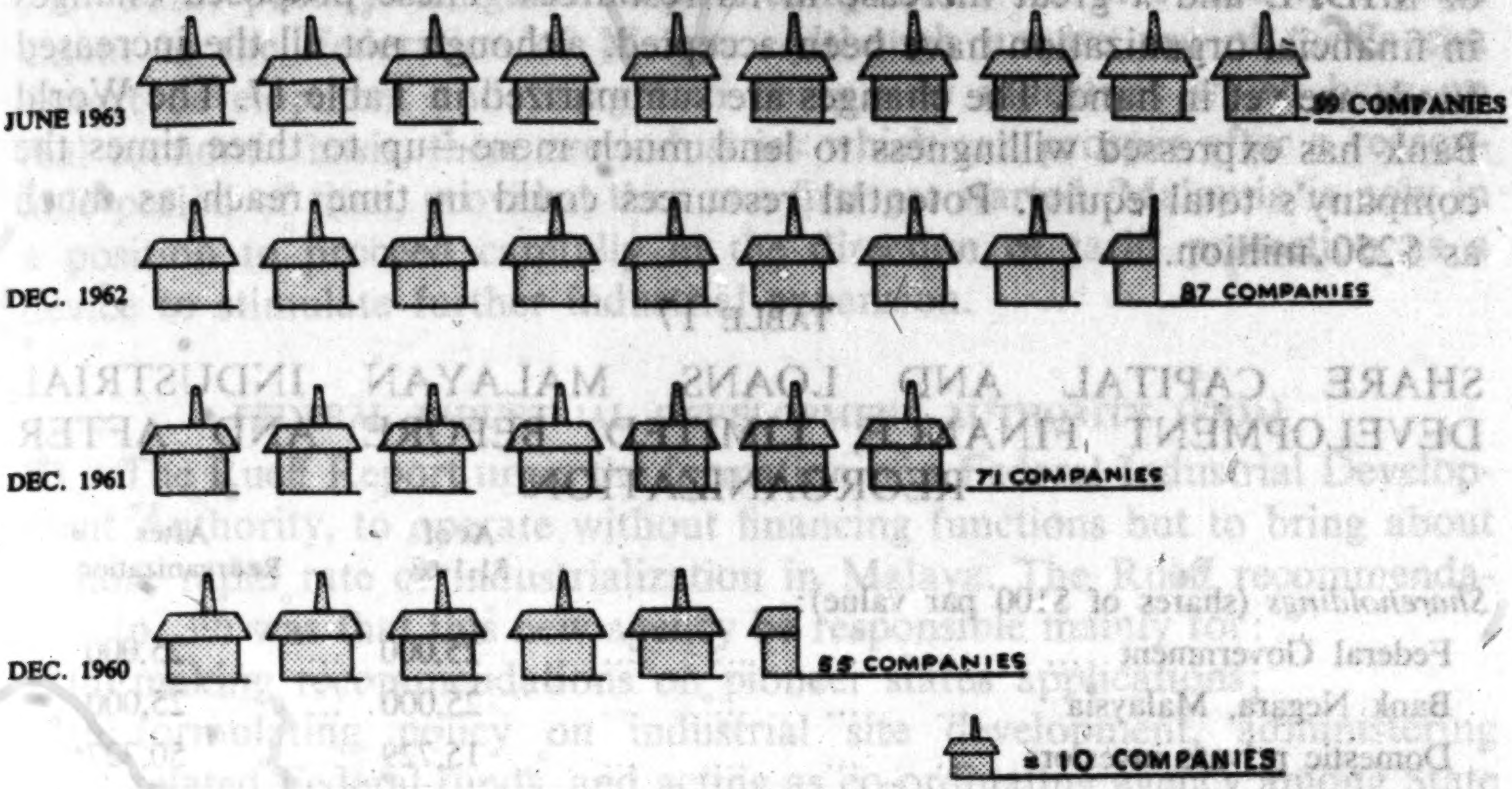
75. The Second Five-Year Plan provides a trust fund of $7.5 million for loans to States for development of industrial estates, that is, developed areas with land and utilities made available to manufacturing establishments. The most successful has been the one at Petaling Jaya, which now has released 210 lots to business enterprises and is virtually full. Other industrial estates are at Ipoh, Butterworth, Johore Bahru and Taiping. The State of Selangor is planning to develop another area between Petaling Jaya and Klang, and the State of Negeri Sembilan expects to develop about 400 acres at Seremban.

MALAYAN INDUSTRIAL DEVELOPMENT FINANCE LIMITED (MIDFL)

76. MIDFL was established in March 1960 with part of its share capital subscribed by the Federal Government and the remainder subscribed by private investors, both local and foreign. It was designed to assist private enterprise by making medium and long term loans and performing underwriting and other technical services for industry. Its officially authorised capital was $15 million, which was increased in August 1962 to $50 million.

Chart XIII

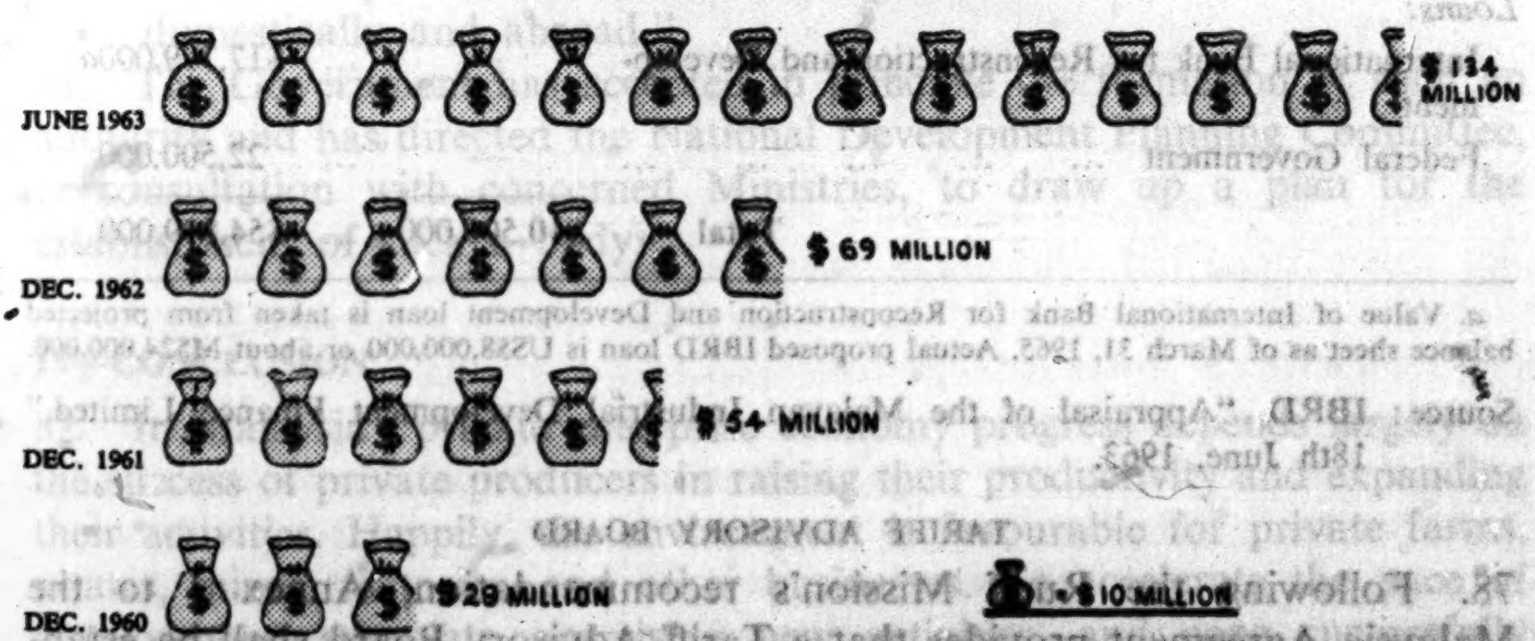
MANUFACTURING : PIONEER COMPANIES (NUMBER)



SOURCE: TABLE 1 Drafted by Department of Information, Malaysia

Chart XIV

MANUFACTURING : PIONEER COMPANIES (CALLED-UP CAPITAL)



SOURCE: TABLE 1 Drafted by Department of Information, Malaysia

77. In October and November 1962, staff members of the International Bank for Reconstruction and Development (World Bank) and of the International Finance Corporation visited Malaya and proposed a reorganization of MIDFL and a great increase in its resources. These proposed changes in financial organization have been accepted, although not all the increased funds are yet in hand. The changes are summarized in Table 17. The World Bank has expressed willingness to lend much more—up to three times the company's total equity. Potential resources could in time reach as much as $250 million.

TABLE 17

SHARE CAPITAL AND LOANS, MALAYAN INDUSTRIAL DEVELOPMENT FINANCE, LIMITED, BEFORE AND AFTER REORGANIZATION

	As of 31-1-63	After Reorganization
Shareholdings (shares of $100 par value):		
Federal Government	25,000	25,000
Bank Negara, Malaysia	25,000	25,000
Domestic private investors	15,729	50,727
Foreign private investors—		
British	65,541	65,541
Non-British	18,730	33,732
Commonwealth Development Corporation	25,000	25,000
International Finance Corporation	—	25,000
	175,000	250,000
Value of shares with 60% paid up	$10,500,000	$15,000,000
Loans:		
International Bank for Reconstruction and Development	—	$17,399,000a
Federal Government	—	22,500,000
Total	$10,500,000	$54,899,000

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a. Value of International Bank for Reconstruction and Development loan is taken from projected balance sheet as of March 31, 1965. Actual proposed IBRD loan is US$8,000,000 or about M$24,000,000.

Source: IBRD, "Appraisal of the Malayan Industrial Development Finance Limited," 18th June, 1963.

TARIFF ADVISORY BOARD

78. Following the Rueff Mission's recommendation, Annex J to the Malaysia Agreement provides that a Tariff Advisory Board shall be established before Malaysia Day. The necessary legislation was passed in time

by the Federation Parliament. The establishment of this Board, with a competent technical staff, should make the protective tariff an effective device for encouraging industrialization throughout Malaysia.

79. Tariff protection against import competition was not used to a great extent in the Federation of Malaya. Although unwise use of tariffs can distort development and bring into being new industries which have no real economic basis, there are industries which can prosper after a reasonable period of time, provided they can first get started. Malaysia is now in a position to proceed carefully in the direction of tariff protection as a device to stimulate further industrial expansion.

FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY (FIDA)

80. The Rueff Report urges the formation of a Federal Industrial Development Authority, to operate without financing functions but to bring about a more rapid rate of industrialization in Malaya. The Rueff recommendation (p. 39) was that this new agency be responsible mainly for:

"(*a*) making recommendations on pioneer status applications;
(*b*) formulating policy on industrial site development, administering related Federal funds, and acting as co-ordinating agency among State institutions with such functions;
(*c*) carrying out, or contracting for economic feasibility studies of industrial possibilities;
(*d*) providing general guidance and advice to the units engaged in industrial research . . . , and other agencies such as the National Productivity Centre and the Small Industries Service Institute;
(*e*) assembling general information on the conditions of Malaysian industrial production and directing industrial promotional work, domestically and abroad."

81. The Government has accepted in principle the formation of such an authority and has directed the National Development Planning Committee, in consultation with concerned Ministries, to draw up a plan for the establishment of such a body.

IV—CONCLUSION

82. In Malaysia's private enterprise economy progress depends largely on the success of private producers in raising their productivity and expanding their activities. Happily, the environment is favourable for private farms, estates, mines, factories, and other businesses. To accelerate the pace of development, stimulate promising new activities, and cope successfully with emerging problems, Government has adopted various programmes

as part of the Second Five-Year Plan. These are being executed with vigour, in some cases in an atmosphere of urgency. In seeking to make each of these individual programmes contribute as much as possible to development, Government seeks to avoid controls or other measures that would discourage new ventures. The Government of Malaysia is committed to private enterprise as the principal form of production. It is our firm policy to maintain an environment in which opportunities increase and private owners are encouraged to produce, to prosper, and to expand their enterprises, for the benefit and prosperity of the whole economy.

CHAPTER 5

The Future

83. As Malaya expands into a larger federation, Malaysia, and enters the later stages of the Second Five-Year Plan, it is appropriate to look at the new circumstances and the problems and opportunities that lie ahead. Government is studying these carefully and starting to prepare the First Malaysia Plan, to go into effect in 1966. This chapter looks briefly at what the future appears to hold in store.

I—NEW CIRCUMSTANCES

MALAYSIA: LARGE TASKS AND CHALLENGES

84. Nation-building is a momentous and difficult process. To weld Malaya, Sabah, Sarawak and Singapore into a strong and viable national unit will require great effort, understanding and tolerance, as well as vast resources, both domestic and foreign. Our peoples with their different races, languages, religions and customs, can find adequate expression and satisfactions only within a framework of law and order, of effective public administration, of economic growth, and of social tolerance and harmony. Every major part of Malaysia already has these attributes to a significant degree. But not all of our people yet feel the full meaning of the new larger federation. There may be some tendency to pay inadequate attention to the potential effects on our lives of federating with diverse new states.

85. A customs union is one of the central features of the Malaysia we are beginning to forge. This union promises ultimately to bring great benefits

to all parts of Malaysia. But such a union involves serious difficulties, problems and adjustments. These were given particular study before Malaysia Day and made the main subject of a special agreement—Annex J to the Malaysia Agreement. This is, however, not the end but only the beginning of the solution to the many problems involved. There remain to be answered many thorny questions about tariffs, customs administration, pioneer industries, free ports and entrepot trade, in addition to the inevitable issues of taxation, government services and general development. If we proceed too rapidly with formation of a complete customs union, it will cause unnecessary suffering and loss to some parts of Malaysia. But if we are too timid, if we move too slowly, we shall be building up vested interests that make completion of the customs union so much the more difficult and painful. We are beginning to face the issues of the common market. The Tariff Advisory Board will come into being soon; the Federal Government is working on other aspects of these problems, on which policy decisions will soon be made.

GROWING DEMANDS ON THE ECONOMY

86. Malayans, like people all over the world, are demanding more of the goods and services that only a modern economy can provide. Our people want better schools, hospitals, roads, water supplies and other public services, better housing, more and better clothing, more radios and now television. And every year there are about a quarter of a million more people in Malaya. These additional people demand the same high and rising standards of consumption as the rest of the population. Sons and daughters are not willing to accept the poverty and privations their fathers and mothers have endured. Having attained independence, and now federation with the new States of Malaysia, Malayans want the fruits of development. At the same time defence and other Government needs are growing rapidly. The economy must not only find resources for development but also meet on a continuing basis these growing demands of the people and the Government.

DECLINING RUBBER PRICES

87. In some important ways the years ahead are likely to be much more difficult than those of the recent past. A leading factor is the absolute and relative decline in rubber's contribution to the economy. Rubber has played a major part in bringing to Malaya the development, growth and prosperity we have known in the past. Rubber has for a long time produced the bulk of

Malayan exports, about a quarter of national income, and a substantial share of tax revenues. But rubber cannot again make such an important contribution as in the past. During the rest of the 1960's, while other parts of the economy are expanding, rubber will probably yield fewer dollars each year than in 1960, despite rising output. The reason for the declining income from rubber is simply the progressive drop in rubber prices. The prospect is that prices will continue to drop and be steadier than in the past, reaching a point by 1970 where prices are expected to be hardly more than half what they were in the recent peak year, 1960.

88. Table 18 and Chart XV illustrate the changed position of Malayan rubber. In 1957, the year when the Federation of Malaya became independent, smoked sheet (RSS 1) sold for an average of 89 cents a pound in Singapore. This price dropped in 1958, rose to a peak of $1.08 in 1960, and then started the long decline that is expected to continue throughout the present decade, reaching about 55 cents in 1970. During the fourteen-year period covered in Table 18 and Chart XV the most valuable year's rubber production was that of 1960—708 thousand tons valued at $1,691 million. Despite the impressive increases in production that are expected as a result of our continuing programme of replanting with high-yielding strains, the total value of Malaya's rubber crop is not expected to reach the 1960 level during the whole decade, 1961-70. The 1970 crop is expected to be worth about the same as that of 1959, although almost twice as large. Meanwhile, the present decline in the total value of successive crops is expected to be reversed only in 1966. The crops of 1964 and 1965, the remaining years of the Second Five-Year Plan, are expected to be valued at slightly less than $1,200 million each. The crops of the years 1966-70, when we expect to be carrying out the First Malaysia Plan, are projected as rising not only in size but also in value, as an expected slackening in the pace of price decline combines with progressively greater tapping of new high-yield trees. But these projections, both of price and of quantity produced, are naturally subject to substantial error. Since Table 18 and Chart XV were prepared, new production estimates have come in from the Rubber Research Institute, setting 1970 production at between 1.1 and 1.2 million tons. If this lower estimate proves accurate, then rubber will yield less to producers, to the Treasury and to the nation at large, as well as to our balance of payments. Much depends on how rapidly old trees are taken out of production for replanting and other reasons, on the results achieved from new tapping methods and yield stimulants by smallholders as well as estates, on the way prices affect the rate of tapping, and on the productiveness of the new trees that come into tapping.

TABLE 18

UNIT PRICE, QUANTITY, AND VALUE OF MALAYAN RUBBER PRODUCTION, 1959-70

	RSS 1 Price (cents per pound)	Unit Price [a] (cents per pound)	Production ('000 tons)	Value ($ million)
1957	88.8	88.8	636	1,265
1958	80.2	77.4	663	1,149
1959	101.6	97.1	698	1,519
1960	108.1	106.6	708	1,691
1961	83.5	81.5	737	1,346
1962	78.2	77.2	751	1,298
1963	—	70.0	785	1,230
1964	—	65.0	817	1,189
1965	—	62.0	853	1,184
1966	—	60.0	913	1,227
1967	—	58.0	983	1,277
1968	—	57.0	1,054	1,346
1969	—	56.0	1,146	1,437
1970	—	55.0	1,249	1.538

[a] Average export price received.

Source: Department of Statistics.

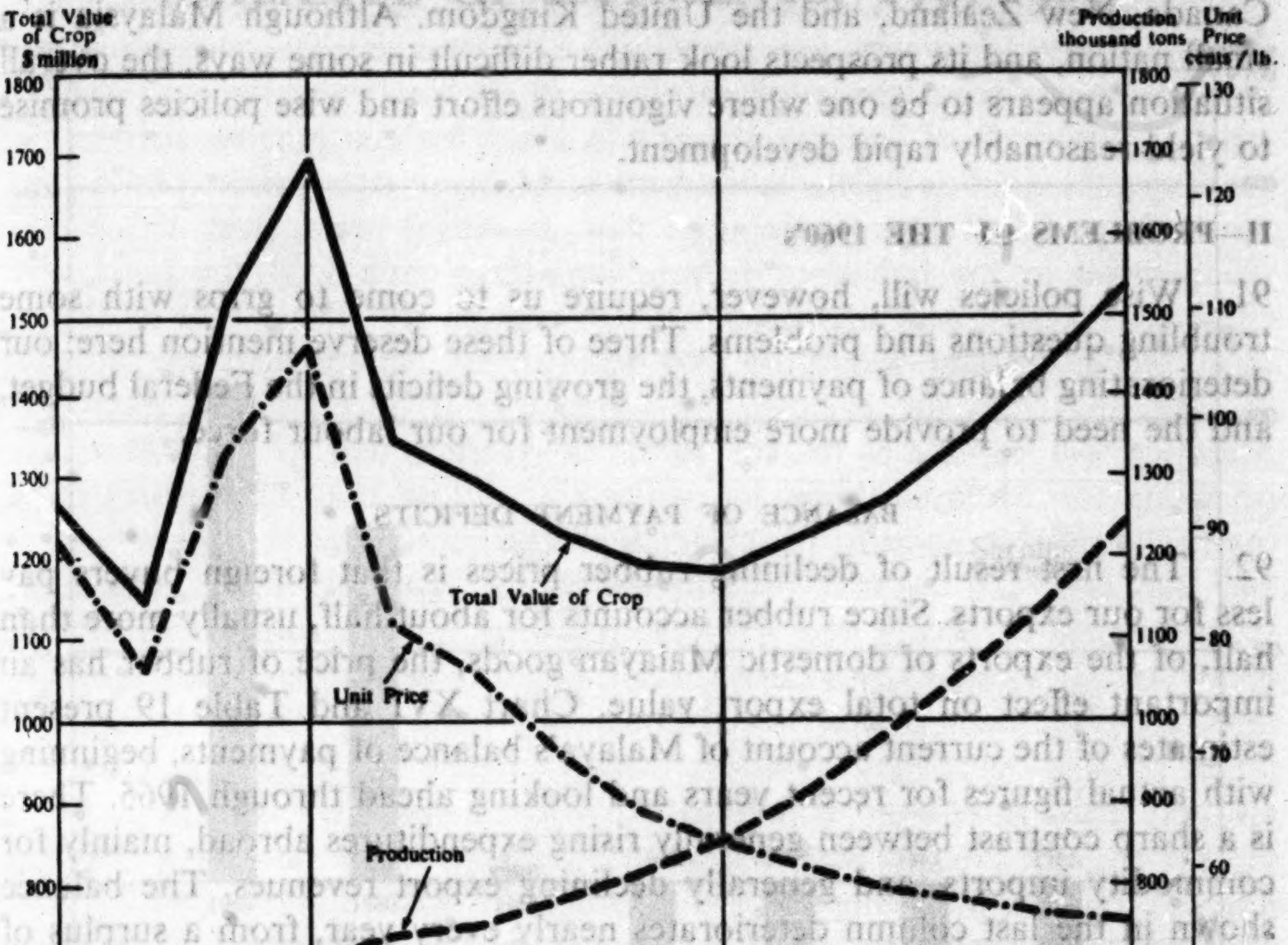
THE OUTSIDE WORLD

89. The international environment in which Malaysia is being launched contains many dangers and also impressive opportunities. The greatest disappointment of all is the confrontation policy of our largest neighbour, Indonesia. Instead of trading and co-operating with Malaysia, to the mutual benefit of both countries, Indonesia has chosen to wage economic warfare against us, and even to attack Malaysians physically, both in the Straits of Malacca and along the border between Sarawak and Indonesia. This is only one, but an important one, of the reasons why Malaysia must spend far more on defence in the years ahead than the Federation of Malaya ever did. It may not be possible to prevent confrontation and our growing defence burdens from interfering to some degree with Malaysian development, consumption levels, or both.

90. Still, there are important favourable aspects of the international scene as well. Private businessmen abroad are showing interest in the unusually promising investment opportunities here in Malaysia, and a significant volume of capital is flowing in as loans and new investments. In addition, the Government has recently begun to raise loans in London, New York and Bonn; and we can expect to borrow a good deal more in the years ahead. The World Bank and various national lending agencies are also ready to provide capital for worthwhile projects. Technical aid will continue to be

Chart XV

MALAYAN RUBBER TRENDS, 1957-1970



Drafted by the Economic Department, Bank Negara Malaysia

SOURCE: TABLE 18

available from the United Nations, under the Colombo Plan, the U.S. Peace Corps, private foundations and other organizations. Various forms of aid are expected to continue to come from friendly countries, notably Australia, Canada, New Zealand, and the United Kingdom. Although Malaysia is a small nation, and its prospects look rather difficult in some ways, the overall situation appears to be one where vigourous effort and wise policies promise to yield reasonably rapid development.

II—PROBLEMS OF THE 1960's

91. Wise policies will, however, require us to come to grips with some troubling questions and problems. Three of these deserve mention here: our deteriorating balance of payments, the growing deficits in the Federal budget, and the need to provide more employment for our labour force.

BALANCE OF PAYMENT DEFICITS

92. The first result of declining rubber prices is that foreign buyers pay less for our exports. Since rubber accounts for about half, usually more than half, of the exports of domestic Malayan goods, the price of rubber has an important effect on total export value. Chart XVI and Table 19 present estimates of the current account of Malaya's balance of payments, beginning with actual figures for recent years and looking ahead through 1965. There is a sharp contrast between generally rising expenditures abroad, mainly for commodity imports, and generally declining export revenues. The balance shown in the last column deteriorates nearly every year, from a surplus of $431 million in 1959 to an expected deficit of $397 million in 1965. This deficit does not seem likely to disappear of its own accord, or even shrink; rather it will tend to grow—if means can be found to finance it.

TABLE 19

BALANCE OF PAYMENTS, CURRENT ACCOUNT, MALAYA, 1959-65

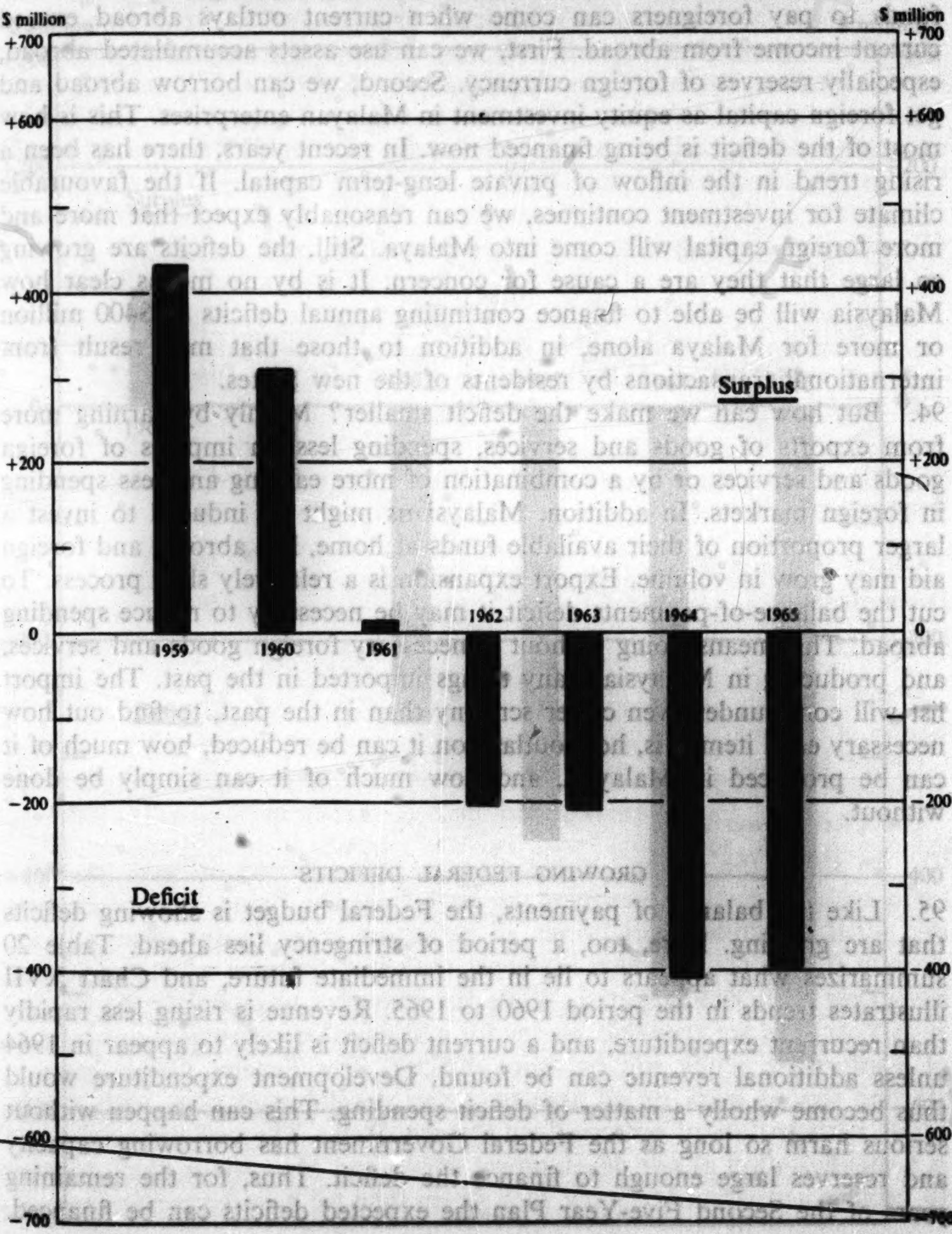
($ million)

	Exports F.O.B.	Imports F.O.B.	Trade Balance	Current Invisibles	Current Account Balance
1959	2,462	1,630	+832	−401	+431
1960	2,915	2,010	+905	−597	+308
1961	2,615	2,088	+527	−513	+ 14
1962	2,611	2,300	+311	−514	−203
1963	2,691	2,367	+324	−533	−209
1964	2,413	2,346	+ 67	−474	−407
1965	2,360	2,274	+ 86	−483	−397

Source: Department of Statistics.

Chart XVI

SHIFT FROM SURPLUS TO DEFICIT IN THE BALANCE OF PAYMENTS, 1959-1965



Drafted by the Economic Department, Bank Negara Malaysia

SOURCE: TABLE 19

93. How can the deficit in the balance of payments be financed and how large can we prudently allow the deficit to be? The second question depends on the answer to the first. The deficit can be as large, and last as long, as the means available to finance it. There are two principal sources from which funds to pay foreigners can come when current outlays abroad exceed current income from abroad. First, we can use assets accumulated abroad, especially reserves of foreign currency. Second, we can borrow abroad and get foreign capital as equity investment in Malayan enterprises. This is how most of the deficit is being financed now. In recent years, there has been a rising trend in the inflow of private long-term capital. If the favourable climate for investment continues, we can reasonably expect that more and more foreign capital will come into Malaya. Still, the deficits are growing so large that they are a cause for concern. It is by no means clear how Malaysia will be able to finance continuing annual deficits of $400 million or more for Malaya alone, in addition to those that may result from international transactions by residents of the new States.

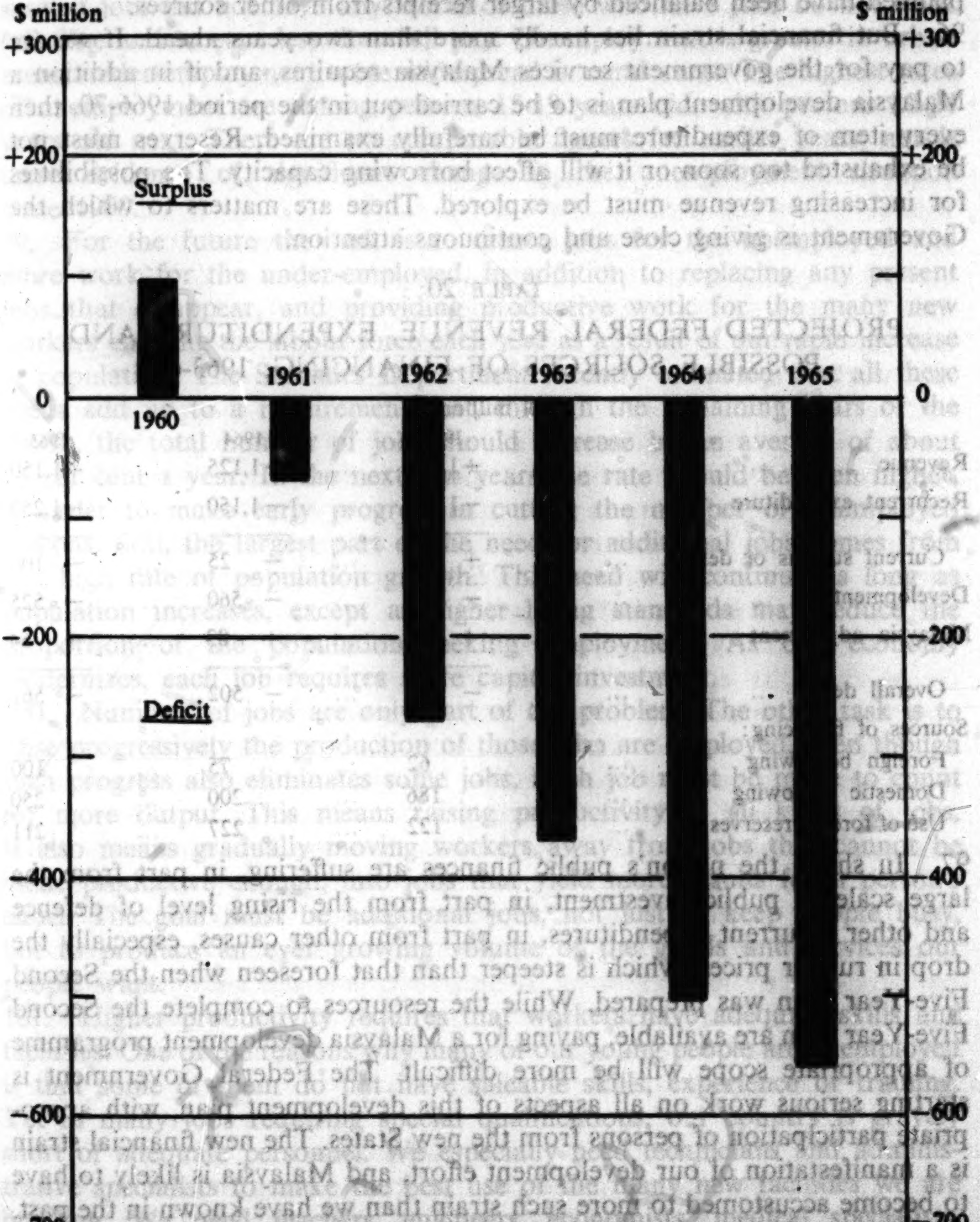
94. But how can we make the deficit smaller? Mainly by earning more from exports of goods and services, spending less on imports of foreign goods and services or by a combination of more earning and less spending in foreign markets. In addition, Malaysians might be induced to invest a larger proportion of their available funds at home, less abroad, and foreign aid may grow in volume. Export expansion is a relatively slow process. To cut the balance-of-payments deficit it may be necessary to reduce spending abroad. This means doing without unnecessary foreign goods and services, and producing in Malaysia many things imported in the past. The import list will come under even closer scrutiny than in the past, to find out how necessary each item it is, how outlays on it can be reduced, how much of it can be produced in Malaysia, and how much of it can simply be done without.

GROWING FEDERAL DEFICITS

95. Like the balance of payments, the Federal budget is showing deficits that are growing. Here, too, a period of stringency lies ahead. Table 20 summarizes what appears to lie in the immediate future, and Chart XVII illustrates trends in the period 1960 to 1965. Revenue is rising less rapidly than recurrent expenditure, and a current deficit is likely to appear in 1964 unless additional revenue can be found. Development expenditure would thus become wholly a matter of deficit spending. This can happen without serious harm so long as the Federal Government has borrowing capacity and reserves large enough to finance the deficit. Thus, for the remaining years of the Second Five-Year Plan the expected deficits can be financed.

Chart XVII

GROWING FEDERAL BUDGET DEFICITS, 1960–1965



Drafted by the Economic Department, Bank Negara Malaysia

SOURCES: TABLES 9 and 20

The figures in Table 20 suggest a possible pattern of financing. It is of interest that the total drawdown of Federal Government reserves now in sight for the whole five years of the Second Plan is about what was contemplated in the Plan. Excess spending and larger deficits than originally planned have been balanced by larger receipts from other sources.

96. But financial strain lies hardly more than two years ahead. If we are to pay for the government services Malaysia requires, and if in addition a Malaysia development plan is to be carried out in the period 1966-70, then every item of expenditure must be carefully examined. Reserves must not be exhausted too soon or it will affect borrowing capacity. The possibilities for increasing revenue must be explored. These are matters to which the Government is giving close and continuous attention.

TABLE 20

PROJECTED FEDERAL REVENUE, EXPENDITURE AND POSSIBLE SOURCES OF FINANCING, 1963-65

($ million)

	1963	1964	1965
Revenue	+1,130	+1,125	+1,150
Recurrent expenditure	−1,050	−1,150	−1,250
Current surplus or deficit	+ 80	− 25	− 100
Development	− 460	− 560	− 525
Malaysia adjustment	+ 10	+ 83	+ 64
Overall deficit	− 370	− 502	− 561
Sources of financing:			
Foreign borrowing	62	75	100
Domestic borrowing	186	200	250
Use of foreign reserves	122	227	211

97. In short, the nation's public finances are suffering, in part from the large scale of public investment, in part from the rising level of defence and other recurrent expenditures, in part from other causes, especially the drop in rubber prices, which is steeper than that foreseen when the Second Five-Year Plan was prepared. While the resources to complete the Second Five-Year Plan are available, paying for a Malaysia development programme of appropriate scope will be more difficult. The Federal Government is starting serious work on all aspects of this development plan, with appropriate participation of persons from the new States. The new financial strain is a manifestation of our development effort, and Malaysia is likely to have to become accustomed to more such strain than we have known in the past.

98. Providing employment for people of working age is one of the stated goals of the Second Plan. But we have just learned from a special survey that in 1962 5.2 per cent of all males and 7.9 per cent of all females who wanted jobs did not have any. Some of those who have jobs do not work full time and so earn less than full pay. Unemployment is greater in urban areas, under-employment more widespread in rural areas. The highest rates of unemployment are among persons 15-19 years old, with persons 20-24 years old next. There are no comparable figures for earlier years, nor is there evidence of significant change in the unemployment situation since 1960.

99. For the future the task is to create jobs for the unemployed and more work for the under-employed, in addition to replacing any present jobs that disappear, and providing productive work for the many new workers entering the labour force each year as a result of our rapid increase in population. The Statistics Department recently estimated that all these needs add up to a requirement that, through the remaining years of the 1960's, the total number of jobs should increase by an average of about 3¾ per cent a year. In the next few years the rate should be even higher, in order to make early progress in cutting the number of unemployed persons. Still, the largest part of the need for additional jobs comes from our high rate of population growth. This need will continue as long as population increases, except as higher living standards may reduce the proportion of the population seeking employment. As our economy modernizes, each job requires more capital investment.

100. Numbers of jobs are only part of the problem. The other task is to raise progressively the production of those who are employed, even though such progress also eliminates some jobs. Each job must be made to count for more output. This means raising productivity in all kinds of jobs. It also means gradually moving workers away from jobs that cannot be made productive enough, into jobs that yield more results for a person's effort. The goal must be additional jobs, not just to keep people busy, but to produce an ever growing volume of the goods and services our people want.

101. Higher productivity requires that workers have adequate skills and facilities. One of the reasons why many of our young people are unemployed is that some of them do not have saleable skills, experience or training. Yet in many jobs requiring special qualifications, our country is gravely short of adequate personnel. We especially need technicians and administrative specialists to make the best use of the many new facilities we are building. We need teachers, engineers, economists, medical specialists,

skilled craftsmen of all kinds, machine operators and repairmen, agricultural specialists, and all the rest of the technicians and executives that a modern economy uses. We need more qualified public servants. We also need business entrepreneurs who have the perception, the resources and the courage to venture into new and untried fields. With effective use of all varied kinds of human talent, our capital investments in development can yield rich results. But if our human resources fall short of filling the need, then our unutilized natural resources and our heavy new investments will not bring the benefits they should.

102. How should a private-enterprise society proceed to create the necessary jobs and qualify its workers to fill them? Not, for the most part, by make-work projects. These would keep people busy to a certain extent, but might not be productive enough to pay their own way. What Government can do is mainly to manage money and credit effectively, to encourage and assist private enterprise to create the necessary job openings, and to help workers to acquire needed skills. This last task is easier to comprehend and perform than the others. We are doing much of this in our schools, our technical training institutions, our colleges and the University of Malaya, supplemented by study abroad and foreign technical assistance. More and better leadership training may be needed, and ways to provide this are under study. In addition many kinds of on-the-job training are being carried out by public and private employers; this form of training will need to expand in the years ahead.

103. But qualifying people for particular kinds of jobs does not, in itself, create the jobs concerned. These are, for the most part, created by enterprising businessmen who see promising opportunities and are willing to venture their own resources in projects aimed not so much at creating jobs as grasping business opportunities. Malaya is fortunate in having many entrepreneurs with both the business acumen to see opportunities and the resources to seize them. Foreign businessmen too can contribute much. There is some room for assisting new ventures through financial concessions and through services such as feasibility studies. The various measures mentioned in Chapter 4 will contribute much in the years ahead to meeting our needs for trained personnel. If necessary, new and additional measures can be added. But direct Government ventures into business are not intended, except where it may become evident that important needs are unlikely to be met by private business.

III—CONCLUSION

104. In sum, Malaya has made great progress during the first part of its Second Five-Year Plan, but much remains to be done. As the States of

Malaya now join with Sabah, Sarawak and Singapore in building Malaysia as a new nation, there are many tasks to be undertaken, many difficulties to be overcome. Some are inherent in our geographical situation and in our complex racial, cultural and linguistic backgrounds. Some spring from the international economy and Malaya's traditional dependence on exports of rubber and tin. Other difficulties arise from international politics. But Malaya, as well as the other States of Malaysia, has great strengths, large reserves, and a real capacity to cope with its development problems. In facing the remaining years of the Second Five-Year Plan, and then in undertaking a First Malaysia Plan, we have the facilities, institutions, skilled personnel and other assets already accumulated. Despite economic circumstances that seem in many ways harder than we have known in the past, Malaya as part of Malaysia can continue to develop rapidly its economic, social and political potential. The Government is preparing new plans to do so while continuing to carry out the successful Second Five-Year Plan.

STATISTICAL APPENDIX

This appendix presents quantitative information on progress under the Second Five-Year Plan, along with comparative information on Second Plan targets and achievements during the First Five-Year Plan. These tables have only recently been compiled by the Statistics Department, from information provided by the Ministries and Departments indicated as sources on the tables themselves. These tables are so new that they are still in the process of review. It is possible, therefore, that some of the figures will be revised at a later time. But at present this information is best available on the matters covered.

TABLE A-1

EDUCATION

Fully-assisted schools only		Increase		Existing number				Increase Dec. 1960 to June 1963
		1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 Decemer, 1962	30 June, 1963	
SCHOOL CLASSROOMS, NUMBER								
Urban	**Primary** ..	1,990	2,549	8,916	9,432	9,821	9,977	1,061
	Secondary ..	485	2,048	2,189	2,435	2,424	2,896	707
	Others	—	413	—	—	34	104	104
Rural	**Primary** ..	6,233	6,892	12,078	13,404	13,871	14,161	2,083
	Secondary ..	53	696	168	229	312	431	263
	Others	12	100	12	—	24	38	26
ENROLMENT, NUMBER								
Urban	**Primary** ..	102,989	161,342	466,124	492,892	505,310	516,474	50,350
	Secondary ..	29,388	95,942	85,659	96,376	128,361	143,308	57,649
	Others	—	11,400	—	—	8,682	14,498a	14,498
Rural	**Primary** ..	234,948	340,377	508,230	557,825	568,292	583,313	75,083
	Secondary ..	4,308	19,639	10,669	14,506	18,307	21,035	10,366
	Others	—	1,600	—	—	2,209	2,354a	2,354
TEACHERS, NUMBER								
Urban	**Primary** ..	4,447	35,995	15,760	18,287	18,503	18,085	2,325
	Secondary ..	994	3,798	3,309	3,980	5,115	5,656	2,347
	Others	—	650	—	41	261	505	505
Rural	**Primary** ..	10,596	13,344	19,553	21,180	22,059	21,966b	2,413
	Secondary ..	99	629	261	357	537	672	411
	Others	—	51	—	—	72	96	96

a. The decrease in "other" enrolment results mainly from students leaving secondary continuation schools to join private schools or to work.

b. The decrease in the number of teachers reflects resignations.

Source: Ministry of Education.

TABLE A-2

HEALTH

Federal Government health services only	Increase		Existing number				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
1. Hospitals, number	—	3	65	65	65	65	
2. Hospital beds, number	866	1,000	21,102	21,526	21,747	21,747	645
3. Fixed Dispensaries, number	33	—	217	217	221	221	4
4. Mobile Dispensaries, number	61	—	138	139	152	152	14
5. Urban Health Centres, number	—	3	125	126	127	128	3
6. Rural Health Centres, number	8	37	8	8	19	27	19
7. Sub-Health Centres, number	8	148	8	11	50	84	76
8. Midwives' Clinics, number	26	652	26	55	373	422	396
9. Dental Clinics, number	57	168	146	149	245	245	99
10. Doctors, number	124	169	391	419	438	451	60
11. Dentists, number	34	48	86	94	96	111	25
12. Nurses (including Student Nurses), number	— *a*	1,102	1,366	1,606	2,084	2,221	855
13. Dental Nurses, number	66	106	66	94	94	122	56
14. Assistant Nurses, number	— *a*	830	1,082	1,109	1,207	1,323	241
15. Hospital Assistants, number	— *a*	101	1,015	1,006	1,037	1,038	23
16. Midwives, number	— *a*	704	895	934	1,053	1,153	258
17. Health Inspectors, number	— *a*	147	203	215	212*b*	219*b*	16

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a. Figures not available. Prior to 1958 medical and health services were State functions.

b. In addition 50 Public Health Inspectors are seconded to Local Authorities.

Source: Ministry of Health.

TABLE A-3

IRRIGATION

	Increase		Existing area				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
1. Area that can be double-cropped on account of completed irrigation schemes, acres	38,200	161,759	38,200	77,573	84,894	95,124	56,924
2. Area not previously cultivated that is cultivable on account of completed irrigation schemes, acres	23,433	36,153	184,265	186,580	188,808	188,808	4,543

Source: Drainage and Irrigation Department.

TABLE A-4

FEDERAL LAND DEVELOPMENT AUTHORITY

	Increase		Existing number or acreage				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Schemes, number	25	60	25	37	50	50	25
Settlers, number	3,134	21,860	3,134	3,551	5,015	5,870	2,736
Total area planted, acres	19,600	209,456	19,600	35,090	57,526	62,008	42,408
Area with rubber as main crop, acres	18,092	119,169	18,092	32,452	53,782	57,371	39,279
Area with palm oil as main crop, acres	—	50,350	—	1,000	1,940	2,600	2,600
Area with other main crop, acres	1,508	39,937	1,508	1,638	1,804	2,037	529

Source: Federal Land Development Authority.

TABLE A-5

FRINGE AND CONTROLLED ALIENATION SCHEMES

	Increase		Existing number or acreage				Increase Dec. 1960 to June 1963
	1956-60 *a* (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December 1962	30 June, 1963	
Fringe Alienation							
Schemes, number	—	—	—	102	273	428	428
Landholders, number	—	—	—	4,294	16,179	22,318	22,318
Total area planted, acres	—	—	—	14,088	63,166	92,501	92,501
Rubber as main crop	—	—	—	13,340	62,390	91,725	91,725
Palm oil as main crop	—	—	—	—	—	—	—
Other main crop	—	—	—	748	776	776	776
Controlled Alienation							
Schemes, number	—	311	—	—	29	97	97
Landholders, number	—	18,030	—	—	2,015	12,284	12,284
Total area planted, acres	—	143,954	—	—	8,289	43,931	43,931
Rubber as main crop	—	109,339	—	—	3,514	29,700	29,700
Palm oil as main crop	—	1,056	—	—	—	—	—
Other main crop	—	33,559	—	—	4,775	14,231	14,231

NOTE: The figures in this table are preliminary and will be revised on the basis of further information from the States.
a. These Fringe and Controlled Alienation Schemes were started after the passing of the Land (Group Settlement Areas) Act, 1960.

Source: Ministry of Rural Development.

TABLE A-6

GOVERNMENT RUBBER REPLANTING SCHEME FOR ESTATES AND SMALLHOLDINGS

[Rubber Industry (Replanting) Board]

	Increase		Existing acreage				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
AREA PLANTED BY ESTATES, acres *a*							
Rubber:							
With grants	292,070	293,295	440,692	455,792	462,616	492,616*b*	51,924
Excess planting *c*	132,180	—	218,590*b*	278,590*b*	338,590*b*	—	—
Other Crops:							
With grants	5,263	—	5,263	5,687	5,983	—	—
Excess planting *c*	5,676	—	5,676	5,676	5,770	—	—
SMALLHOLDINGS (FUND B)							
Acreage replanted	305,526	350,000	390,688	449,648	521,189	530,540*b*	139,852
Acreage new planted	14,682	50,000	14,682	23,965	32,223	33,578*b*	18,896

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a. The Government Rubber Replanting Scheme for Estates provided assistance for the planting of rubber and some other approved crops. Grants are made for both replanting and new planting.

b. Under the Scheme planting is reported during the year following the actual operations; therefore 1963 acreage will be available only after June 1964. The figures given for 1963 are only estimates. Rubber acreages in respect of excess planting in 1961 and 1962 are estimates only.

c. Planting is called excess if it does not qualify for grants under the Scheme. Still, under a new Scheme which has not yet come into operation, the 1962 excess for rubber and other crops will qualify for assistance.

Sources: Chairman, Board of Administrators, Replanting Scheme; Chairman, Board of Administrators, Replanting Scheme (Fund B), Smallholders.

TABLE A-7

RURAL AND INDUSTRIAL DEVELOPMENT AUTHORITY

	Increase		Existing number				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Number of rubber processing factories	1	15	1	4	13	13	12
Number of group processing plants	Nil	250	Nil	Nil	60	60	60
Number of bus routes	1	52	1	2	14	23	22
Number of passenger miles run by RIDA bus services *a*	820,019	13,000,000	820,019	1,064,095	1,790,527	2,699,039	1,879,020

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a. Excluding North-Eastern Transport Service, Kelantan.

Source: Rural and Industrial Development Authority.

TABLE A-8

POWER

		Increase		Existing number				Increase Dec. 1960 to June 1963
		1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Capacity, kilowatts ..	C.E.B.	32,280	160,116	164,592	174,782	159,583	210,555	45,963
	Others	n.a.	n.a.	161,691	163,524	167,342	169,855	8,164
	Total ..	n.a.	n.a.	326,283	338,306	326,925	380,410	54,127
Transmission lines, high-voltage, miles	C.E.B.	514	1,000	1,329.8	1,474.6	1,664.6	1,963.0	633.2
	Others	n.a.	n.a.	744.2	766.9	817.8	838.7	94.5
	All	n.a.	n.a.	2,074.0	2,241.5	2,482.4	2,801.7	727.7
Transmission lines, low-voltage, miles	C.E.B.	430	800	1,450.8	1,558.4	1,748.7	1,857.3	406.5
	Others	n.a.	n.a.	403.2	462.8	525.9	562.4	159.2
	All	n.a.	n.a.	1,854.0	2,021.2	2,274.6	2,419.7	565.7
Transmission lines, total, miles	C.E.B.	944	1,800	2,780.6	3,033.0	3,413.3	3,820.3	1,039.7
	Others	n.a.	n.a.	1,147.4	1,229.7	1,343.7	1,401.1	253.7
	All	n.a.	n.a.	3,928.0	4,262.7	4,757.0	5,221.4	1,293.4
Urban households served, number	C.E.B.	52,118	80,000	163,603	177,245	193,289	203,779	40,176
	Others	n.a.	n.a.	53,641	56,088	59,033	60,476	6,835
	Total	n.a.	n.a.	217,244	233,333	252,322	264,255	47,011
Rural households served, number	C.E.B.	9.949	12,000	23,409	24,993	27,576	30,015	6,606
	Others	n.a.	n.a.	44,057	47,782	54,367	58,645	14,588
	Total	n.a.	n.a.	67,466	72,775	81,943	88,660	21,194

NOTE: "Others" include Kinta Electricity Distribution Co., Ltd., Huttenbachs Ltd., Georgetown City Council, C.E.B. Public Licensees and Perak River Hydro-Electric Power Co., Ltd., but do not include small generators and distributors.

Sources: Central Electricity Board, Perak Hydro-Electric Power Co., Ltd., Kinta Distribution Co., Ltd., Huttenbachs, Georgetown City Council.

TABLE A-9

WATER SUPPLY

	Increase		Existing number				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Number of supplies	14*a*	120	140	141	148	156	16*b*
Capacity, million gallons per day	23.47	119.0	84.1	87.4	91.7	n.a.	—

a. Actual number of new schemes constructed = 20
Reduction in number due to integration of small schemes = 6
Nett increase 14

b. Number of schemes constructed or expected to be completed = 21
Reduction in number due to integration of small schemes = 5
Nett increase 16

Source: Public Works Department.

TABLE A-10

TELEPHONES AND RAILWAY

	Increase		Existing number				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
TELEPHONES							
Telephones in use, number	18,806	22,850	76,164	82,350	90,213	94,128	17,964
Exchange lines, number	11,550	14,406	48,021	51,120	55,548	58,114	10,093
Rural telephone booths, number	201	600a	409	574	739	782	373
Urban telephone booths, number	136	165	285	328	411	425	140
RAILWAY							
Aggregate tractive power of locomotives, foot-pounds	738,760	1,000,000	4,871,650	4,778,300	4,778,300	4,778,300	−93,350b
Freight carrying capacity of rolling stock, tons ..	2,326	14,400	106,306	106,856	106,865	108,139	1,833

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a. Original target of 300 was raised in 1962.

b. Some steam locomotives have been condemned and new locomotives not yet delivered.

Sources: Telecommunications Department, Malayan Railway.

TABLE A-11

ROAD CONSTRUCTION

(miles of roads completed)

	1956-60 (Actual)	1961-65 (Target)	1961	1962	1963 (Jan.-June)	Total Jan. 1961 to June 1963
Bitumen Surface:						
Federal	59.7	260.6	34.2	51.6	14.0	99.8
State	36.3	100.0	9.3	28.7	6.3	44.3
Municipal	51.0	—	9.9	11.2	—	21.1
Total ..	147.0	360.6	53.4	91.5	20.3	165.2
Non-Bitumen Surface:						
Federal	—	—	—	—	—	—
State	325.0	2,000.0	408.0	672.0	220.0	1,300.0
Municipal	—	—	—	—	—	—
Total ..	325.0	2,000.0	408.0	672.0	220.0	1,300.0
Total:						
Federal	59.7	260.6	34.2	51.6	14.0	99.8
State	361.3	2,100.0	417.3	700.7	226.3	1,344.3
Municipal	51.0	—	9.9	11.2	—	21.1
TOTAL ..	472.0	2,360.6	461.4	763.5	240.3	1,465.2

Sources: Department of Public Works and Economic Planning Unit.

TABLE A-12

POST OFFICES

	Increase		Existing number				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Post Offices, number	N — 23 R — 8 31	N — 35 R — 29 64	212 (R — 1)	213 (R — 1)	221 (R — 6)	221	9
Post Offices in Rural areas, number	N — 21 R — 5 26	N — 28 R — 17 45	179 (R — 1)	180	185 (R — 4)	185	6
Post Offices in Urban areas, number	N — 2 R — 3 5	N — 7 R — 12 19	33	33 (R — 1)	36 (R — 2)	36	3
Mobile Post Offices, number	23	28	23	33	42	46	23
Postal Agencies, number	132	201	321	363	402	411	90
Riverine Postal Agencies, number	1	3	1	1	1	1	0

N—New Project. R—Replacement, given for that period only.

Source: Postal Services Department.

TABLE A-13

PUBLIC HOUSING

	Increase		Existing number				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Houses built, number	3,063	—	3,063	3,442	4,095	5,400	2,337
Rooms	8,637	—	8,637	9,401	11,677	15,890	7,253
Flats built, number	568	—	568	568	1,404	1,582	1,014
Rooms	1,596	—	1,596	1,596	2,920	3,256	1,660
Total number of rooms	10,223	—	10,233	11,554	14,597	19,146	8,913

Source: Ministry of Interior.

TABLE A-14

PIONEER INDUSTRIES

	Increase		Existing number (or amount or acreage)				Increase Dec. 1960 to June 1963
	1956-60 (Actual)	1961-65 (Target)	31 December, 1960	31 December, 1961	31 December, 1962	30 June, 1963	
Number of pioneer certificates granted, nett ..	55	—	55	71	87	99	44
Amount of capital called-up	$28,543,261	—	$28,543,261	$53,762,901	$69,339,030	$133,648,055	$105,104,794
Number of Lots taken up in all industrial sites..	51	—	51	56	61	61	10
Acres of industrial Lots taken up	238.93	—	238.93	261.97	282.66	282.66	43.73
Employment at beginning of tax free period ..	4,430	—	4,430	6,566	8,347	9,339	4,909
Employment at end of tax free period	5,357	—	5,357	8,522	11,798	13,319	7,962

Source: Ministry of Commerce and Industry.

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